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# A Time-Series Analysis of Union Growth

Unionisation in Banking, 1920-1989



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## Preface


This is an interdisciplinary work in industrial relations, focusing particularly on union growth. As such, its methodological properties derive from four different fields in the social sciences; a relatively recent development in sociology and social theory, industrial relations and economics. Any research in the social sciences requires reciprocal processes between the theory and empirical surveys, through which a generalised model of certain phenomenon can be constructed. When we actually starts an investigation, however, we are often dismayed by the fact that theories are rather fragmentary whereas empirical data is difficult to obtain. This might be particularly so in a social study carried out in a historical context.

Chapters 1 and 2 of this dissertation deal with theories and 3 to 7 the empirical evidence required to test them. A few problems concerning the foundations of social theory are briefly mentioned in Chapter 1. The point here is to consider a micro-foundation for subsequent analysis. This seems indispensable to me as it is something that current social theory lacks and a straightforward application of the rational choice framework also seems somewhat problematic. Following this, Chapter 2 provides a survey of theories of union growth in developed in sociology, industrial relations and economics.

My contention here is that no single theory is sufficient to understand the social process as a whole.

The empirical section, whose primary aim is the verification of the theories, consists of three parts; Chapter 3 is an introduction to the banking industry and its industrial relations system, from which information for the empirical research is taken. Chapters 4 and 7 provide analyses of short-run and long-term union growth in the industry. In these chapters, I generally followed a method commonly adopted in industrial relations and economics. Chapters 5 and 6 provide an historical analysis of union growth. The approach here is explicitly historical sociological, in which the research aims to attain a generalised understanding of the social processes from an empirical context. This, I think, is valuable particularly when the nature of causality changes and when theory does not have absolute reliability.

As for the lay-out of the contents, I rather consciously followed the example of some works in historical sociology, particularly those of Cronin, Shorter and Tilly. I guess similar efforts have similar problems, although this work is far more limited than theirs in terms of its general applicability. I wanted to compensate this with wider theoretical implication and more accurate specification of causal processes, which I hope is attained. If there is something parallel, it may rest in the concern with an analytical approach and the generalized understanding of the processes through which the present situation is brought about.





The quantitative method used here is a basic one, which is now a standard tool of social analysis. I think that it is a convenient tool with a variety of application for the accurate estimation of causal processes, but we should also be aware of its limitations.

Professor Takao Matsumura kindly recommended me to study in England, which has provided me with a valuable chance to experience another culture. Dr. Mason has acted as my supervisor and gave me detailed suggestions. Dr. Waddington, whom Professor Bain introduced to me, kindly read the draft and gave me useful comment, although it was not his duty to do so. Professor Richard Whip at Cardif University also gave me precious suggestions and the criticism of the two examiners, Dr. Melling and Professor Hyman, was constructive.

Statistical data and indispensable information derive from many sources, including Bifu, Barclays Group Staff Union, NatWest Staff Association, Lloyds Bank Group Staff Union, Barclays Bank, Lloyds Bank, Midland Bank and the Certification Office, and many people have kindly spared their precious time for my research. I am particularly grateful to Dr. Waddington and Mrs Morgan, who allowed me to use the abundant data at the Industrial Relations Research Unit of the Business School at Warwick, Professor Heritage, who produced a sociological work on a similar theme, and Dr. Booker of the archive of Lloyds Bank, who suggested me the files compiled by Mr. Winton. Finally, without the generous support of my parents, the project would not have been possible.

## Correction

Because of a mechanical problem, certain Greek letters and mathematical notations in notes are incorrectly printed.

# 1. Union Growth and the Logic of Social Action

Since the publication of Union Growth and the Business Cycle by Bain and Elsheikh in 1976, the study of union growth has attracted considerable attention not only from sociologists, social-psychologists and industrial relations specialists but also economists in the U.K..<sup>1</sup> A similar tendency can be seen in the U.S., where a series of researches stimulated by the work of Ashenfelter and Pencavel have been produced. Generalized understanding of the nature, or the causal processes of the development of trade unions, however, has not yet been achieved.

The field has also a methodological and theoretical attraction. The action of joining a trade union had traditionally been considered to accompany social rather than economic decision processes, an understanding which is usually associated with the holistic approach in the social sciences. Thus, it has often been assumed that the subjective experience of an individual is essentially consistent with certain elements in societal symbolic systems or the collective constituents, such as language, customary rules, religion, economic relationships, art and science and, in some cases, research in the subject or subjective meaning has been regarded to have little strategic importance in explaining actual courses of action.<sup>2</sup>

Despite the obvious importance of such an understanding, it has also resulted in a lack in the current social theory, and analyses of social phenomena based upon it, of the core to deal systematically with social action. Opening a textbook, we find Marx, Durkheim, Weber and specific social models, but no systematic treatment of the micro foundations of daily actions, while the applicability of the rational choice framework in the wider fields of the social sciences largely remains problematic.

Thus, a natural approach for this research was by treating the processes of union growth explicitly as a consequence of the social or rational action of individual employees, to reconsider currently prevailing theories in an empirical context. This is also to bring the aggregate processes down to a level of an individual choice and to pose a simple, but essential, question; why do we join ( or not join ) a union? Such an approach seems to be of particular value in formulating our action where theories are immature.

The first part of this short introductory chapter is devoted to considering some general theoretical problems concerning the location of rational choice theory within the wider framework of social action. As economic studies of social phenomena increase, the properties of such a theory have come to be discussed. Properly dealt with, the field is extensive and this is not the place to develop a detailed critique. Nevertheless, it is necessary to draw the attention of the reader to the

properties of the theory and the aim of the research will then be briefly explained in the second section.

### Rational Man and Unions

Original utility theory was based upon the rational premise that individuals aim to maximize their utility, or satisfaction, obtainable from different quantities of goods or services under the constraint of their budget. His or her preference is represented by the cardinal utility function. Later development in the theory, by introducing the preferences-opportunities model, broadened the concept of rationality to signify consistency of choice with preference. Sociologists have generally conceived that such a model of homo economicus is a 'specific schema, which can be used in a pure state in the analysis of some social phenomena relevant to the sociologist's area of interest but not to all'.<sup>3</sup> The problem is, in which social phenomena?

An action to join a union may be classified into two Weberian categories of social action; that of Zweckrational and Wertrational. The first is the case where the action is taken in order to attain certain pecuniary or non-pecuniary ends. One may join because one wants a better salary or because of fears of redundancy. These cases can be considered to refer to the action which is taken for the sake of an immediate increase in



utility. The second is the case where such an action is more normative than utilitarian.

Utility theory is a particular specification of purposive action, which also corresponds with Pareto's criterion of logical action.<sup>4</sup> Economists have considered to different degrees that human behaviour is mostly goal-directed, often in a fairly consistent manner, be it towards utility, profit, social status or national self-interest and that the theory has explicit merits in its simplicity and in its applicability for predictive purposes.<sup>5</sup> Some sociologists, like Coleman, have also thought that the notion can be used to give a precise treatment of individual action in social theory, which supplements two other reciprocal processes in the field between man and his systems.<sup>6</sup>

These cases also relate to the original business-cycle models of union growth, which are dealt with in this work, and other genres of the quantitative study of union membership. There seems to be enough ground to argue that changes in economic conditions may provide a chance for such decisions, although the assumption of the business-cycle theory that the aggregate action occurs in such a regular fashion in relation to a certain unit of economic change so that its functional form can be specified still seems to be somewhat rough.

Further caution seems to be required as union services are commonly demanded in complex social milieux, in which one may choose an adaptive action; one may join because everybody else joins. One does not join because his boss does not join or

because the results are anyway obtained without paying a subscription. All these cases with different objects of utility seem to be within the reach of an empirical study. In the past decade, some economists have endeavoured to formulate them. The first example, for instance, is the case of social custom theory which shows that an individual may have a utility function that depends upon other people's behaviour. The second case, where the individual's utility depends upon other people within an unequally distributed power structure, has essentially the same property, but has not necessarily been treated seriously by economists and advocates of rational choice theory. This problem concerning the complexity of the objects of utility, or maximands, may lead to specification errors of the real causes of action, a danger which is shared by the sociological approach that emphasizes the function of structural constraints. The last case represents Olson's free rider problem.<sup>7</sup>

The second is the case where one joins ( or does not join ) a union because one thinks that it is good ( bad ) and such a choice is more normative in the sense that it derives from a belief acquired through pre- or in-market learning and experiences; belief or disbelief in trade unionism, in equality in the capitalist economy or in the unobstructed function of a national labour market. Such attitudes are often thought to correlate with one's political socialization, the consequence of which is the maintenance of a set of opinions upon the desirability of different actions. Whatever persuasion the



individual may have, what is common in these cases is that his action derives from a socially normative understanding of reality, which entirely depending upon the syntactical system, possesses a similar structural property.<sup>8</sup>

If there are certain genres of action which are essentially consistent with socially maintained norms, how can they be treated in the context of the rational choice framework? Elster, following Borch, considers that the problem of Wertrational action can be solved in terms of lexicographic, or more generally, non-Archimedean, preferences; certain goods or activities, which cannot induce a change in a preference order by changing the quantity of one in relation to others are basically non-comparable and therefore, rest outside the economic approach, a view which is not shared by Becker.<sup>9</sup> His example is the ethical principle of not to gamble which is usually supposed to be directly conditioned by an internalized morality originally enforced upon the individual by the society. In the same way, it is not difficult to imagine cases where changes in quality of union services do not affect the choice to join or stay aloof from a union.

This leads to the third problem. Although in the loosened versions of rational choice framework, difference, inconsistency and transformation of preferences are often dealt with, crucial theoretical inferences based upon utility theory mostly depend upon the assumption of a homogeneous utility function, amongst others; preferences are basically similar among individuals and most of the observed differences in

behaviour can be explained through differences in the opportunity set.

The assumption of homogeneity in economic theory has often been pointed out to be problematic at least in a few senses. One is a consequent omission from the theory of some important aspects of the economy such as the effects of income distribution and of other individual characteristics.<sup>10</sup> There are also some logical difficulties; applied to human capital theory, for instance, cross-sectional differences in an increase in wages are interpreted as a function of human capital investment in the form of foregone income. But 'if all individuals are alike, why do they not make the same choice?'<sup>11</sup> Or consider the cases studied by the dual labour market theorists who found that belonging to a certain race or sex would systematically reduce the return on certain human capital endowments.<sup>12</sup>

From here, sociological epistemology, in which the aggregate tendency in subjective inclination and action is explained causally by certain social and economic situations, is not very far. Being interpreted in the rational choice framework, choice can be considered to be essentially consistent with preference, which is socially determined and varies between individuals.<sup>13</sup> The approach that emphasizes the importance of structural constraints has not only been used widely to explain diverse social phenomena from union membership, educational attainment, and criminal rates to church attendance but has been one of the central tenets of critiques of the rational choice approach.

We may recall in this context the criticism by Simon of the assumptions of homo economicus and his concept of bounded rationality. He wrote,

"the capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objective rational behavior in the real world, or even for a reasonable approximation to such objective rationality. . . . The first consequence of the principle of bounded rationality of an actor requires him to construct a simplified model of the real situation in order to deal with it. He behaves rationally with respect to this model, and such behavior is not even approximately optimal with respect to the real world,"<sup>14</sup>

which leads to his now famous axiom that man does not maximize any function at all, but just satisfies, or finds a course of action 'good enough'.<sup>15</sup> Rational choice may not be tenable in reality also because, if a role one plays in a certain social and psychological setting entails some subset of decision premises, most of the premises of rational choice will be determined by such factors. In such cases, the action would converge with a role-determined action, which is often found in sociological epistemology.<sup>16</sup>

The accompanying problem of the rational choice approach is that although the realisation of a conscious action takes two steps, namely what you think and then, what you do, the theory



puts an overwhelming emphasis upon the latter. Probably this is a vestige of the conception of homo economicus, whose preference does not have much meaning for, or is unfamiliar to, the third person. ( Who cares if Mr.Jones prefers an apple to a pear! ) Personally held norms or collective consciousness, which is to be converted into a preference, which determines the subjective desirability of an action, remains predominantly in conventional sociologists' or historians' fields.

Despite all these probable sources of discrepancy of the theory from the real causes of action, it can still be argued that 'even if rationality often is unimportant, or absent, or unstable, there is a hard core of important cases where the rational choice model is indispensable and that this model is logically prior to alternatives.'<sup>17</sup> Here, we find the most general theoretical implication of this research; does such a model provide an adequate foundation for social research? If so, to what extent?

#### About This Research

Through the statistical studies of trade unionism in the past two decades has emerged a loose consensus that different genres of analyses serve specific purposes; short-run analyses are mainly carried out by the business-cycle models, structural, or compositional, factors are captured by a shift-share analysis

and analyses of long-term growth are best served by cross-sectional surveys.

The choice here is rather arbitrary, not only as an analyst de facto finds oneself within a certain theoretical and methodological strand, but as respective results may be supplementary. This research was originally envisaged as a historical sociological analysis of union growth in a time-series context and as such, comprised of general and specific theories, empirical models and close examination of the historical processes, through which a generalised understanding of the social phenomenon is obtained.

This methodology may particularly be associated with Chapters 2, 5 and 6. Specific theories of union growth, which are classified into sociological, industrial relations and economic approaches, are revised in Chapter 2 and, together with the general theoretical implication of utility theory which we have just seen, used as hypotheses verified in the empirical section. Examination of the empirical processes is focused on the banking industry and is carried out in Chapters 5 and 6, the former covering some twenty five years before and during the second world war, and the latter from 1946 to 1990. This demarcation mainly reflects a change in the industrial relations system in the industry and thus, availability of the data.

In both chapters, an overview of the institutional structure of the industrial relations system is provided first. This is necessary because this defines the very field in which

statistical models should be estimated; for example, the change of many compulsory, free staff associations into trade unions during the war means the dependent variable in the analysis also has to be changed. Then, models accurately estimate the average effects of each employed variable upon union growth during the sample period, on the assumption that all other values of variables are held constant, and qualitative empirical surveys follow specific processes of short-run growth.

Other chapters are rather supplementary and contain what I feel is omitted in the main analyses. Chapter 3 provides a brief history of the banking industry and its industrial relations system, particularly its present situation. In Chapter 4, short-run models in a general style are estimated and long-term growth in the industry is briefly considered; sociological assumptions concerning the effects of historical shifts in the patterns of stratification, for instance, are more adequately verified in the long-term context. Thus, the style of this chapter is closer to the current practice in research in industrial relations than historical sociology. Chapter 7 deals with a supplementary statistical analyses and the last chapter provides a concise summary.

One problem which is only partially dealt with here is consistency between, as occasionally called, mechanical and statistical models. Inconsistency can be most probably observed between theories which have largely rested upon the results of empirical models at an aggregate level and the actual process

of unionization; highly significant effects of a price inflation variable upon union growth, for instance, may not be solely attributable to its immediate effect upon an individual actor, and the relative effects of different causal paths have not been cautiously considered.

This can naturally be a theoretical problem because, despite the alleged consistency between the theory and empirical results obtained through statistical models, actual causality may lie somewhere else. Of course, it is not possible to disentangle all causal processes, but certain aspects may be explored by developing an inter-industrial comparison of short-run union growth, which remains for my next project.

1. Bain, G.S. and F.Elsheikh. 1976. Union Growth and the Business Cycle, An Econometric Analysis. Oxford; Blackwell.

2. Durkheim, E. 1988ed. Les Regles de la Methode Sociologique. Saint-Amand-Montrond: Flammarion, 235.

"It is natural for society to express itself symbolically in its customs and its institutions; normal modes of individual behaviour are, on the contrary, never symbolic in themselves: they are the elements out of which a symbolic system, which can only be collective, builds itself. ( Levi-Strauss, C. 1987. Introduction to the Work of Marcel Mauss ( trans. by F.Baker ). London; Routledge. 12.)"



3. Boudon, R. 1981. The Logic of Social Action. London: Routledge. 154-158.
4. Coleman, J.S. 1990. Foundations of Social Theory. Mass.: Harvard University Press. 4.
5. Harsanyi, J.C. 1986. 'Advances in Understanding Rational Behaviour'. J.Elster ed. Rational Choice. Oxford: Blackwell.
6. Coleman, J.S. op.cit.
7. Olson, M. 1965. The Logic of Collective Action. Harvard University Press.
8. As economists have formulated rational individual action, sociologists have traditionally put a particular emphasis upon the inter-subjective nature in human affairs. Against Elster's advocacy of game theory as a theory of rational choice by plural interacting individuals, Giddens, for example, insisted that such an attempt would have limited applicability because of the structural properties of linguistic or social systems. Such properties, he writes,  
  
 'cannot be expressed as qualities or descriptions of the conduct of either individual or collective agents. Syntactical rules, for example, are not attributes to individual speakers, speech acts, or of texts. They are instantiated in, and reproduced through, speech and writing, but that is something different. ( Giddens, A. 1982. Commentary on the Debate. Theory and Society, vol.11.)'
- See also Elster, J. 1982. 'Marxism, Functionalism and Game Theory; the Case for Methodological Individualism'. Theory and Society, vol.11.
9. Ibid. 126-127.
10. Arrow, K.J. 1987. 'Economic Theory and the Hypothesis of Rationality'. 28. J.Eatwell et al ed. Utility and Probability. London: Macmillan.
11. Ibid.
12. See Chapter 3.

13. In many fields in the wider social studies, such as trade union behaviour, education, crime and religious commitment, the two approaches co-exist if in a somewhat alienated fashion. Elster lucidly illuminated them citing the works of Cobb, Tullock, Boudon, Bourdieu and Passeron. The sociologist,

'argues that the choice of a criminal career or of a higher education really is no choice at all, but the individual is propelled into certain channels by sub-culture-specific norms or values. The economist, by contrast, tends to assume that individuals are attracted by differential rewards associated with the available courses of action. The sociologist looks at the action as a product of its causal antecedents, and the economist regards it as motivated by the expectation of future rewards; causality versus intentionality. According to Tullock, there is no doubt which fits the data best. ( Elster, J. 1984. Ulysses and the Sirens. Cambridge University Press. 137-139. )'

However, despite Tullock's remark, it does not seem to be so difficult to find some examples in which individuals' choices are curtailed and differentiated in an 'existential' fashion. One example is the return on human capital endowments. A more innocent American example is that in the Northeast, many people mix soda with Scotch, whereas in the Midwest the mixer tends to be ginger ale. Thus, it is 'shared social factors and subcultures make up a good part of their decision. ( Etzioni, A. 1991. 'Socio-Economics; A Budding Challenge'. Socio-Economics.)'

See also, Cobb, W. 1973. 'Theft and the Two Hypothesis'. S.Rottenberg ed., The Economics of Crime and Punishment. Washington: A.E.I.P.P.R.

Tullock, G. 1974. 'Does Punishment Deter Crime?' The Public interest, vol.36, 103-11.

Boudon, R. 1973. L'Inegalite des Chances. Paris: Armand Colin.

Bourdieu, P. and Passeron, J.C. 1970. La Reproduction. Paris: Edition de Minuit.

14. Simon, H.A. 1957. Models of Man. N.Y.: John Wiley. 198-199.

A sociologist also wrote that in some traditions of economic sociology,

'the fundamental observation is not the Parsonian one that, besides calculating rationally, people also believe in the good, the true and the beautiful, but rather that, in making up their minds, they use all sorts of methods, including properly rational optimising when they can manage it and various approximations when they cannot, and that the values or preferences they maximize are sometimes easily described and ordered in such a way as to be optimizable, and sometimes confused or developed after the fact to explain the decisions they took. ( Stinchcombe, A.L. 1986. 'Economic Sociology: Rationality and Subjectivity'.

137. U.Himmelstrand ed. The Sociology of Structure and Action, vol.1, SAGE.)"

15. Ibid. 294-205.

16. Ibid. 201.

17. Elster, J. 1984. op.cit. 116.

## 2. Theories of Union Growth

Theories of trade unionism generally, and those of union growth particularly, have been developed relatively independently in the three fields of the social sciences; sociology, industrial relations and economics. They have been based upon different methodological foundations, sometimes focused upon different causalities and often adopted different research techniques. The consequence is of some importance, as analysts often limit the sphere of their inference according to the theory that they depend upon. Nevertheless, it seems to be worth noting that these theories often deal with different aspects of the same phenomenon and that the respective results are rather complementary than contradictory.

The aim of this chapter is, first of all, to summarise the causal processes of union growth upheld in respective traditions by examining their features and limits. This is followed by an exposition of recent empirical findings on the determinants of union growth, which leads to an attempt to lay the foundation of a theory of union growth and an operational framework of a subsequent time-series analysis.



## 1. Social Stratification and Union Growth

The approach of sociologists is sometimes labelled as 'structural', as differences in attitudes, norms and actions between a certain genre of employees and another are often thought to be explained by functionally different elements of the situation in which they are located, the entity of which sociologists and historians often loosely call 'social structure'.<sup>1</sup> Although its methodological property can be traced back to Durkheim's manifestation of holism in the Rules, it was classical sociology of class structure and social stratification initially developed by Marx and Weber that the modern sociologists in Europe looked to in order to specify such situations.<sup>2</sup>

Certain methodological differences persist among the sociologists according to their orientation, despite the fact that such differences seem to be less conspicuous in the attempts to explain union growth than in general social theory. The general tendency is summarised by Craib, who wrote that, although many modern writers might accept Marx's economic analysis of capitalism as being superior to Weber's, they nevertheless argue that Marx did not develop an adequate theory of social action and they turned to Weber for such a theory.<sup>3</sup>

## Production Relations and Class Situation

One of the central premises of a Marxist analysis of trade unionism is, according to Crompton, its ability to relate the 'surface process' of market or work situations of the employees to the underlying relations of production.<sup>4</sup> Although Marx left the section entitled the classes in Capital unfinished, some were reconstituted from his work and others were developed from his thought by neo-Marxist sociologists and economists.

In Marxist theory, 'class' usually denotes a cluster of agents who occupy the same position in terms of the relationship to the means of production. Two basic categories are differentiated in the capitalist economy, namely the producers who do not own the means of production and are forced to sell their labour power and the non-producers who own and control the means of production and the labour power, and can legally appropriate the product and surplus labour incorporated in the commodity as surplus value.<sup>5</sup>

However, subsequent developments in the capitalist economies, such as the increases in joint-stock companies and intermediate stratum 'between labour and capital' made the analytical and explanatory functions of the property-relations-related concept inadequate; if white-collar work is 'unproductive', or if it does not create surplus value but appropriates what has been created somewhere else, how can the concept of exploitation be defined?

Though early analyses of the so-called service class can be found in the work of Austro-Marxism, it was much later that sociologists in the tradition of structural and analytical Marxism endeavoured to induce a series of overlapping dichotomies, according to which social classes are categorised.<sup>6</sup> These include Nicos Poulantzas ( the structural determination of classes by productive / unproductive labour and manual and mental labour distinctions ), Erik Olin Wright ( the ownership /non-ownership of the means of production and possession /non-possession of the means of production and the labour power of others ), Guglielmo Carchedi ( the owner /non-owner of the means of production, the producer /non-producer of surplus value and labour /capital functions ), later Olin Wright ( forms of exploitation based upon the organization assets and the possession of skills or credential assets ), John Elster ( Endowments and types of market behaviour ) and John Roemer ( types of market behaviour ).<sup>7</sup> In more general terms, many regard that the social situation of the white-collar or middle class workers are characterised by two basic features; a lack in property and the functions of both labour and capital.<sup>8</sup>

A principal concern of the empirical Marxian sociologists has been, then, to apply the concept of the white-collar class situation to illuminate the processes of unionisation and union behaviour, connecting them to the historically changing relations of production. The changing situation is often regarded to take the form of 'proletarianisation', a term which



is also used by neo-Weberian sociologists.<sup>9</sup> Rosemary Crompton believes that this process may occur in two ways;

". . . the 'unproductive' labour force may, in Braverman's term, be 'deskilled': that is, 'conception' split off from 'execution' and work reduced to a series of fragmented, repetitive operations. The extent to which the white-collar worker carries out the function of capital may be progressively reduced, rendering the worker nothing more nor less than unproductive labour,"

and argued that this process of 'double proletarianisation', or changes in their class situation, 'has been of considerable importance' in the unionization of insurance clerks.<sup>10</sup>

In order to establish the causal process, she pointed out three 'tentative' explanations which connect the abstract categories constituting the concept of 'double-proletarianization' and its actual reflection in the changing 'market' and 'work' situation in Weberian terms.

- a. The relatively high levels of intrinsic job satisfaction that stems from a relatively high level of autonomy.
- b. A 'non-bureaucratic' or, at least, 'administratively particularistic' treatment of white-collar workers by employers which derives from informal on-the-job training and skill.
- c. A process of 'anticipatory socialization' which occurred whereby clerks associated themselves with 'management' rather

than 'workers' to get promotion in a hierarchical organization structure.

'Double proletarianization', if it occurs, is to reverse such a situation.<sup>11</sup>

The approach seems to have some problems. Many would agree that the social theory does provide an understanding of the nature of social stratification, which would otherwise remain an 'unconscious' sphere of the social reality. Nevertheless, it offers little to help understand the actual mechanism by which objective class situations are related to the patterns of perception, consciousness and action of the people, leaving much of it mere speculation. As Weberians would claim, and Crompton would perhaps admit, the logic of human relationships in the stratification system, to which individuals adjust and react, is governed by such diverse factors that coarse categories on sociological class situations may have little power to explain the observable patterns.<sup>12</sup> This constitutes a related, but separate, causal entity and modern social theory still seems to lack tools to analyse these processes.

Another criticism is a lack of evidence that supports the assumed relationship between the proletarianization and union growth. Thus, John Heritage wrote,

"It is amongst the ranks of lower-grade clerical workers that one should look for higher levels of unionization in response

to mechanization. . . . In the case of banking, there is no discernible unionization trend associated with mechanization and computerization. . . . one place to look for unionization in respect to blocked promotion prospects is among female staff, and, to a lesser extent, among men. Crompton however offers no evidence upon this point."<sup>13</sup>

Crompton and Jones produced empirical research in 1984, in which they argued that factors relating to the work situation that reflect the class situation of non-manual workers cannot be disregarded, even if they do not provide a mono-causal explanation of the growth and nature of white-collar unionism.<sup>14</sup>

### Class Situation and Social Action

Weber's approach to the analysis of social stratification reflects the liberal and pragmatic character of his interpretative sociology. He regarded, for example, that classes are differentiable when a number of people share a 'specific causal component of their life chances' which is represented by economic interests, such as goods and income, and represented under the conditions of the commodity or labour markets, thus explicitly insisting on the basic function of the market that restricts individuals' fate and materialises

potential strata in market economies.<sup>15</sup> Or, in the same way, class situation is the 'typical chance for a supply of goods, external living conditions, and personal life experiences in so far as this chance is determined by the amount and kind of power, or lack of such, to dispose of goods or skills for the sake of income in a given economic order.'<sup>16</sup>

There seems to be at least three points in this formulation, which were of some importance for the later development of neo-Weberian social theory. One is an infinite dispersion of class situations.<sup>17</sup> The basic categories of all class situations are 'property' and a 'lack of property', as, where pure market conditions prevail, the propertied would naturally transfer their property to capital goods, thus enabling them to execute the entrepreneurial function. Nevertheless, Weber thought that both categories could be differentiated by the 'kind of property that is usable for returns' and the 'kind of services that can be offered in the market', and it was an existence of such differences in the categories that he quoted as one of the reasons not to assume an a priori causality between class interest and social and collective actions.<sup>18</sup>

This leads to the second point of his attempt to specify, or rather suggest, the conditions where the latent causality becomes a reality. In general terms, he attributed these to 'general, cultural conditions', particularly those of intellectual sorts, as well as the 'extent of the contrasts that have already evolved' and the 'transparency of the



connections between the causes and the consequences of the class situation.'

The third point, his consideration of the status situation, emerges in relation with this. Just as he stratified class situation in terms of market situation, or the production and acquisition of goods, he differentiated the status situation in terms of a specific social estimation of honour, or 'according to the principles of their consumption of goods as represented by styles of lives.'<sup>19</sup> Just as property would, 'with extraordinary regularity', bring about status in the long-term, he regards that class and status situations may be interwoven. Nevertheless, he also thought that the functions of class and status stratifications in a given society were underlain by technological and economic situations. Thus, technological transformation would push the class situation into the foreground whereas a slowing down of the process would lead to a consolidation of status structures.<sup>20</sup>

Unlike Klingender, who, in the 1930s, considered that the class situation of clerks was similar to that of manual labour and that their peculiar behaviour is to be explained by their 'false' understanding of the real situation, David Lockwood, who developed one of the most influential, and now classical, neo-Weberian frameworks, considered that the former is indeed different from the latter, which explains the differences in the actions of the respective groups of workers.<sup>21</sup> His 'Weberian' attempt was, just as Dunlop tried, to specify the elements of class situation in the total environment of a

worker and to relate them to the actions they take. Behind this seems to be a conviction that the subjective meaning of such actions must be consistent with the elements of social conditions. Hence, although the 'conditions making for concerted action among the members of an occupational group and these making for class consciousness are not identical', low degree of unionization and 'lukewarm' organizational behaviour of non-manual trade unions are, at least partly, explained by the actual experiences that non-manual workers in a common economic position are subject to.

A novelty which he brought into the class analysis was, as Crompton and Gubbay wrote, the introduction of the 'work situation' variable into a 'component of life chances' and experiences.

"Under 'class position' will be included the following factors. First, 'market situation', that is to say the economic position narrowly conceived, consisting of source and size of income, degree of job security, and opportunity for upward occupational mobility. Secondly, 'work situation', the set of social relationships in which the individual is involved at work by virtue of his position in the division of labour. And finally, 'status situation', or the position of the individual in the hierarchy of prestige in the society at large. The experience originating in these three spheres may be seen as the principal determinants of class consciousness."<sup>22</sup>

So far as the growth of trade unions is concerned, the work situation is supposed to have superior causal and explanatory functions, although some have argued the case for the importance of the market.<sup>23</sup>

Thus, according to Lockwood, an essential factor of white-collar unionization was the emergence of bureaucratic internal markets, which transformed early paternalistic, particularistic relationships between employers and employees into impersonal ones, consequently creating the conditions for collective interdependence amongst the employees. 'In a word, the system is dehumanized'.<sup>24</sup> A blockage of upward mobility by some institutional factors, such as reduction in managerial functions through administrative rationalization or direct recruitment from external markets, would further facilitate the process. It is this process of standardisation of working conditions, he maintains, that underlay the rapid growth of NALGO in local government, and the large scale amalgamations in banking was a potent factor in the initial success of the B.O.G. after the First World War. C.A.W.U.'s density was low, as clerical conditions differed largely firm by firm.<sup>25</sup>

His method is still holistic in that the analysis occurs at the level of aggregate patterns of consciousness and action; in his model of union growth, the independent variable is the entity of class situation and the dependent variable is the historical situation and changes in trade unionism. Bain, Coates and Ellis claim that sociologists have traditionally developed an intervening variable, social imagery.<sup>26</sup>



The basic postulates of the proponents of social imagery is that the workers' position in the social stratification system generates a certain picture or an image of industry and the wider society which shapes their attitudes toward trade unionism. As Lockwood put it, probably criticizing some Marxist approaches,

". . . the individuals' social consciousness is to a large extent influenced by his immediate social context . . . and it has been stated most clearly by Bott, who writes: 'People do have direct experience of distinctions of power and prestige in their places of work, among their colleagues, in schools, neighbours, and relatives.' In other words, the ingredients, the raw materials, of class ideology are located in the individuals' various primary social experiences, rather than in his position in a socio-economic category."<sup>27</sup>

The models of the perception of the society might have some consistency with the basic Weberian theoretical framework of social action. It has often been assumed that images of society are one major element in the normative dimension of class and have a 'profound effect on orientations to action because they are the core of social consciousness.'<sup>28</sup> Hence, there is a high probability that people who are in a similar situation in the class structure tend to develop a certain image of society mainly through direct experiences of power and prestige, from which different attitudes and specific actions may be derived.

The early models, which had been developed separately by Popitz, Willner and Hoggart in some European countries mainly in the 1950s, were given a systematic form by Dahrendorf.<sup>29</sup> These writers confirmed that, by and large, people do have an image of society and these different images are not randomly held. Popitz and Willner extracted two basic different patterns, namely 'dichotomy' and 'hierarchy'.<sup>30</sup> In Goldthorpe and Lockwood's words,

"One 'polar' type of image is that of society as being sharply divided into two contending sections, or classes, differentiated primarily in terms of the possession or non possession of power. ( the 'power', 'conflict' or 'dichotomous' model ) . . . Contrasting with this is an image of society as comprising an extended hierarchy of relatively 'open' strata differentiated primarily in terms of prestige. ( the 'prestige', 'status' or 'hierarchical' model )" <sup>31</sup>

"Further it has been proposed that the social ideology of the working class tends to take the form of a power model, whereas that of the middle class appropriates the hierarchical model."<sup>32</sup>

Perception of the society, or social consciousness in this context, is supposed to be explained mainly by the structure of work and community situations.<sup>33</sup>

a. Work Situation Variables,

Involvement in job

Interaction and identification with workmates

Interaction and identification with employers

Chances of upward mobility

b. Community Variables,

Interactional status system

Occupational community

Occupational differentiation

The middle class employees, limited to the administrative, managerial, technical and professional white-collar group, is predisposed to hold a hierarchical model of society because,

"First, there is ample evidence that middle class employees of the kind in question do find their work intrinsically more rewarding and more highly involved in their jobs than most industrial workers. Secondly, because their working relationships usually bring them into close contact with higher management and administration as well as with small groups of workers of their own rank, they are likely to identify themselves with both 'the firm' and their colleagues. Thirdly, because of their high job involvement, they are likely to form occupational communities and this tendency should be more pronounced the more they are geographically mobile and thus the more they are dependent on friendships acquired through their occupational roles. Fourthly, middle class employees are likely



to live in occupationally mixed communities. . . . Finally, white collar employees are likely to be involved in interactional status systems. Whether social visiting, or membership of and participation in voluntary associations is taken as a measure of communal ( and hence status ) interaction, the middle classes rank so much higher than the privatised working class that the difference is qualitative."<sup>34</sup>

On the other hand, the social consciousness of lower grade clerical employees is thought to be similar to that of factory workers and described as a pecuniary model. Slight involvement in the highly specialised, repetitive jobs and the lack of close primary group ties inside and outside the work situation tend to force those employees to be wage-oriented at work and consumption-oriented in the community, and no definite feeling of social location is likely to be formed. Hence class divisions are seen mainly in terms of differences in income and material possessions.

Especially in the early studies,

"a close interrelationship was seen to prevail between the individuals' perception of society, his general value system and . . . . the attitudes he took towards more specific social issues."<sup>35</sup>

Hence, as Bain et al. put it, the middle class models, especially the prestige model is believed to be inimical to

unionism, because those who possess such an ideology are assumed to see themselves as individuals capable of progressing through society unaided and without protection, and regard trade unions as an intervention into a highly personal employment relationship.<sup>36</sup> The basic function of trade unions for non-manual workers are instrumental, namely they are collective instruments for pursuing individual goals and normative compliance through belonging to occupational communities and unions takes different forms.

In their early work, such sociologists as Blackburn and Prandy also adopted and developed the model in which the dependent variables, white-collar union growth and character, are explained by the explanatory variables of class situation of workers.<sup>37</sup> Blackburn's contribution was to show that, between the two dependent variables, there is a functional relationship. He regarded that unionization, an 'index of class consciousness', was a function of union density and union character, which is defined as the 'commitment of an organization to the general principles and ideology of trade unionism.' The hypothesis is that for any degree of unionization, density and character vary inversely. The early crude formulation of measures of union character was refined later into an empirically operational one using the multi-dimensional scaling.<sup>38</sup>

Some recent literature, notably by Prandy, Stewart and Blackburn, shows a theoretical divergence from the traditional class analysis per se in that they explicitly introduce an



individual-based social action framework.<sup>39</sup> Their approach, which relates the action of joining ( or quitting ) a union to individual's perception, expectation, satisfaction and adaptation, resembles the social psychological approach popular in America. Although it did not necessarily enjoy a favourable assessment from more traditionally-minded sociologists, theirs is a hybrid model of the social action and 'stratification' approaches in the sense that they regard the cycle of cognition and action to be patterned if the experiences of the structure of inequalities are shared by workers.<sup>40</sup>

Despite conceptual betterment, the 'stratification' approach has always found critics who brought the causal relations between social stratification and union growth under scrutiny - in reality, the process is complex and a few analytical categories would be far from explaining the pattern. Bain, Coates and Ellis, for example, looked through empirical works on union growth and concluded that a 'fairly wide range of objective, accorded and subjective measures or dimensions of their position in the social stratification system has failed to reveal a significant relationship between these two variables.'<sup>41</sup> They made three observations that underlie union growth; a sense of relative deprivation, institutionalisation, and stratification inconsistency.

The first point amounts to the argument that, if an action to join a union takes place, the extent of the difference between an expectation and an actual social and economic position in the stratification system has to be perceived. We

have just seen that to establish a causal link between a certain external situation and social action was the problem that Weber endeavoured to elaborate. The second observation, which was originally put forward by Kornhauser, implies that causal processes of union growth would change their nature over a certain period.<sup>42</sup> Thus, they claimed that, during the early stages of unions' development, the decision to join a union might be a voluntary act and that the stratification factors would function. However, 'under certain conditions, unions become institutionalized. They are accepted as legitimate participants in industrial rule-making. . . . Once a practice is firmly established, . . . conformity tends to become obligatory, either through custom ( backed by informal social pressure ) or coercion ( backed by legal sanctions ), both of which presuppose public recognition of the legitimacy of the practice.'<sup>43</sup> This observation, at least the latter process, now finds a precise formulation in the neo-classical 'social custom theory', which will be reviewed in the third section.

The last point, 'stratification inconsistency', simply maintains that different factors that originate in the stratification system would have inconsistent causal effects upon unionisation. Hence, responsiveness of workers to different factors is purely an empirical matter.

## 2. Union Growth and the Business Cycle

Unlike two other approaches to union growth reviewed in this chapter, the title, 'union growth and the business-cycle', does not necessarily signify a particular feature of a theory. Industrial relations as an academic subject has essentially developed as a pragmatic interdisciplinary one. The 'Oxford' school, which has been the dominant school in the field in the U.K., had started its theoretical work as a critical assessment of the concepts of Sidney and Beatrice Webb as well as an application of Durkheimian sociology.<sup>44</sup> George Bain and his collaborators, who followed the early attempt to theorise the processes of union growth from Flanders, drew theoretical insights from economists such as Dunlop, Hines, Ashenfelter and Pencavel, and Sharp. Nevertheless, they opted for a methodologically neutral 'industrial relations' framework, rather than a neo-classical one, which they claimed to be 'compatible not only with economics but also with other disciplines upon which the wider studies draw.'<sup>45</sup>

A similar tendency may be seen in the United States where the publication of 'Wage Determination under Trade Unions' lead to the famous controversy over the nature of trade unions between John Dunlop and Arthur Ross in the 1940s, which in turn lead to an attempt at synthesis by Clarke Kerr, and an attempt to apply the Parsonian systems model by Dunlop.<sup>46</sup> In the field of study of union growth, two broadly different methods may be possible. One is explicitly to adopt a certain theoretical

framework, particularly that of economics, sociology or social psychology, or industrial relations per se, and another is to test evidence against plural theoretical hypotheses.<sup>47</sup>

### The 'Oxford' School

It was Michael Poole who wrote that one of the features of the 'Oxford' school can be found in a 'dominant focus put upon institutions of collective bargaining', which added a methodological contour to its ideological orientation as a liberal-pluralist school.<sup>48</sup> This, perhaps, is not surprising, as there were some influences of American writers such as Dunlop and Chamberlain, which brought about a move away from the early research field of trade unions to collective bargaining and industrial relations theory in the 1950s.<sup>49</sup>

The aim of Hugh Clegg was to show that collective bargaining was a 'main, major, foremost or principal' influence on union growth, structure and behaviour.<sup>50</sup> He considered that collective bargaining has a structure which consists of some dimensions. The extent of bargaining is defined as 'the proportion of employees in a plant or an industry or a country covered by collective bargaining.' Similarly, the level of bargaining is the level of the aggregation of a bargaining unit, the depth of bargaining is 'the involvement of local union officers and shop stewards in the administration of



agreements,' union security is 'the support given by employers to union efforts to recruit their employees and retain them in membership.' To these, another independent factor, the degree of control of collective bargaining, is added.<sup>51</sup>

Union density is, then, a function of the extent, depth and security of bargaining. Union government is a function of the level of bargaining and strikes are that of the level of bargaining, the degree of control of agreements and other factors such as the economy and unionists' attitudes. Although, in the empirical analysis, he did mention other more conventional factors of union growth, such as plant size and statutory support by the state, the predominant focus was upon systems of collective bargaining, which made his work specific rather than general.<sup>52</sup>

#### Bain's Model of Union Growth

Bain's early study of white-collar unionism in 1970 shows his debt to the Oxford school as well as a germ of later studies of union growth that marked a principal expansion of the basis of research in industrial relations in the U.K.. Examining a range of factors which might affect the cross-sectional patterns of trade union growth, he extracted three strategic variables which he considered significantly related to the growth of

aggregate unionism; namely employment concentration, union recognition and government actions.<sup>53</sup>

In his survey, employment concentration constitutes one of the work situation variables together with such factors as opportunities of upward occupational mobility, the level of mechanization and automation, and proximity to unionized manual workers. Examining mainly the cross-sectional data, he concluded that concentration is the only necessary condition of trade union growth amongst these variables, which can be explained by some a priori reasoning, namely probable bureaucratic treatment of employees and correspondent active recruiting policies by trade unions.

He mentioned three major reasons for the importance of employers' recognition of unions,

"Firstly, workers, especially white-collar workers, tend to identify with management, and they are, therefore, less likely to join trade unions the more strongly management disapproves of them. . . . Secondly, the more strongly management disapproves of trade unions, the less likely workers are to join them in case they jeopardised their career prospects. . . Finally and most important, unions are usually accepted on instrumental rather than ideological grounds, 'as something to be used rather than as something in which to believe.' . . . The less recognition an employer is prepared to give a union the more difficult it is for the union to participate in the process of job regulation and thereby demonstrate to employees

that it can provide a service for them. In such circumstances not only are a large number of employees not likely to join unions, but many of those who have already done so are likely to let their membership lapse because the return they are getting is insufficient,"

Bain also stressed the crucial function of government policies and the consequent favourable social climate, which brought about, directly or indirectly, most of the recognition of white-collar unions in the private sector.<sup>54</sup>

This model has been criticized on some points. For instance, Adams pointed out the lack of variables which would enable a logical explanation of union growth and of a micro-theory.<sup>55</sup> According to Bain's statement, employment concentration is a favourable condition for the growth of white-collar unions, but 'it is not by itself sufficient.' The only other variable in the equation, recognition by the employer, is a function of density and government action. And if, as can be speculated from his statement, government action is not by itself a sufficient condition for the achievement of positive recognition, unions must first have some numbers to win recognition. For density to advance, density must first exist but the factors responsible for the original attainment of membership by unions are not explicated. 'In short, the model is circular.'<sup>56</sup> He also wrote,



"in order this model to be credible, Bain requires some motivational determinant of worker behaviour. . . Most of the factors which other writers have suggested as determinants of the motivation which employees might have for joining a trade union, including dissatisfaction with earnings, other terms and conditions of employment, employment security, and opportunities for promotion, Bain rejects as being of 'negligible importance.'"57

It is worth noting that the results, at least partly, derive from the nature of his research as a sociological cross-sectional analysis. As for the earnings, for instance, what Bain showed in his cautious study is that his cross-sectional empirical evidence does not support the argument that the narrowing manual-nonmanual earnings differential, or an aspect of 'proletarianisation', was a major determinant of the cross-sectional pattern of unionisation. In his quantitative back-up analysis, he regressed changes in relative earnings of white-collar workers in comparison with those of manual workers in manufacturing industries upon union density in respective industries. There seem to be at least two problems here. One is the rather flimsy sociological hypothesis, which assumes that an employee perceives and acts upon the historical shift of relative earnings at a macro level. Another is that his type of aggregate comparison at an industry-level which covers all manufacturing industries would wipe out a 'minor' effect of economic crisis in, say, the textile industry, as a consistent



effect of earnings upon union density would only be detectable when such an effect covers throughout the industries. An approach may naturally exclude actually functioning factors.

Bain and his collaborators' subsequent analyses of union growth rest more upon economic researches than sociology and the first of their series of statistical surveys in the U.K. was Union Growth and the Business Cycle, which followed some early econometric work based on U.K. data ( Hines, 1964 ), the United States ( Ashenfelter and Pencavel, 1969 ) and Australia ( Sharp, 1971 ).<sup>58</sup>

Theirs is a 'business-cycle model' of union growth which assumes significant causal effects of economic variables whose fluctuation constitutes a part of a dynamic economic system. Nevertheless, in so far as the theoretical reasoning of the empirical model is concerned, it does not quite fall into the category of economic analysis. Compared with, for example, the Ashenfelter and Pencavel model, which claimed to explain the progress of the American labour movement in the twentieth century by a 'single behavioural relationship' of utility maximization in a commodity market where union services are demanded and supplied, Bain and Elsheikh adopted a more methodologically neutral framework which they claimed to be 'compatible not only with economics but with other disciplines upon which the wider studies draw.'<sup>59</sup>

In the Bain-Elshheikh model, the determinants of the rate of change of union membership are the rate of change of retail prices (  $P$  ), the rate of change of money wages (  $W$  ), the

level and/or the rate of change of unemployment (  $U$  ) and the level of union density lagged one year (  $D_{t-1}$  ). Hence, with the disturbance term  $e$ , the general form of the model takes,<sup>60</sup>

$$T = f ( P, W, U, D, e )$$

Economic factors fluctuate in accordance with the business cycle, which affect both the propensity and the opportunity to unionize.<sup>61</sup> In their model, the rate of change of retail prices, the rate of change of money wages, and the level and/or rate of change of unemployment directly relate to the business cycle theory. Prices rise with excess demand and full employment. In so far as workers perceive an increase in retail prices as a threat to their real standard of living, they are more likely to become and to remain union members to protect it, hence changing the propensity to unionize ( threat effect ). It might also affect the opportunity to unionize via a changing attitude of employers through a more probable concession to workers' demands under high product market demand ( prosperity effect ). A variable which allows for an inconsistent impact of price rises upon union growth (  $PS$  ) was also included in the equation.<sup>62</sup>

Although wages tend to fluctuate in fairly close relation with retail prices, the rate of change of money wages (  $W$  ) is also used as an explanatory variable because of their possible discrepancy. One hypothetical influence of money wages is called a 'credit effect'. It is argued that

"when money wages are rising, workers may, rightly or wrongly, credit such rises to unions and hope that by bargaining or continuing to support them they will do as well or even better in the future."<sup>63</sup>

The level and/or rate of change of unemployment (  $U$ ,  $\dot{U}$  ) are supposed to affect both the opportunity to unionize by influencing the relative bargaining power of employers and unions, and the propensity to unionize by influencing the benefits that unions can provide. But the relationship is thought to be weak and to be characterized by a time lag.<sup>64</sup> In short, when prices and wages are rising and unemployment is low, there are adequate grounds to assume that union membership increases.

The possible negative relationship between the rate of change of union membership and the level of union density (  $D$  ) has also been pointed out as an organizational factor. The 'saturation effect' occurs '. . . partly because there are fewer workers left to recruit and partly because those who are left have less propensity and/or ability to unionize.'<sup>65</sup> However, non-linear relationship between these two variables are suggested and some possible patterns such as the linear, the inverse and the quadratic forms are tested. Other socio-economic variables, namely the percentage of members in the House of Commons who could be broadly defined as labour supporters, dummy variables for favourable labour legislation



and the result of the Gallup Polls from 1952 onwards were also tested to measure the influence of the social climate on trade unions.<sup>66</sup>

The model was tested on UK data for the period 1893-1970. The empirical results indicated that all variables apart from the socio-political ones were statistically significant and it confirmed that around seventy per cent of the variation in the rate of change of union membership could be explained by the variables employed. ( Table 2.4.2.)<sup>67</sup>

Some problems of the Bain-Elsheikh model have been pointed out, which have influenced the later development of similar models.<sup>68</sup> Roughly, the criticism consists of four points; weak theoretical foundation, omission of compositional and structural factors, simultaneity between the dependent and independent variables, and structural stability of the model. The first criticism partly derives from economists' practice where formal formulation of behavioural patterns, at least ideally, serves as an empirical model. Nevertheless, it has also a general implication as Bain and Elsheikh's reasonings still retain logical weakness; why, as Richardson questioned, should non-unionised workers attribute to union activity a generalised increase in wages?

Omission of structural variables can be justified if their model exclusively deals with short-run factors. The problem is that the separation of the short-run and structural factors seems to require a more subtle treatment. Richardson's point was that the standard deviation of the annual changes of white-



collar workers as a percentage of all workers for manufacturing ( .35 ) was, for instance, nearly as large as the trend ( .40 ).

Simultaneity causes a technical problem as union growth models conventionally include such economic variables as wage rates and unemployment rates, which trade unions may influence. Although many studies have just neglected the problem, one of three possible solutions may be adopted. The first method is to assume or evaluate the marginal causal relationship from union growth to the business cycle since, if the opposite relationship is much stronger than this, the bias of the coefficients and the error variance would be relatively small. This is a pragmatic solution as other solutions are more time-consuming.<sup>69</sup>

Secondly, it is possible to adopt an instrumental approach in an ordinary least squares estimation, which is used to obtain consistent estimates when there is a measurement error in independent variables or when there is simultaneity. Ashenfelter and Pencavel, and Booth considered this method. Thirdly, it is possible to adopt a simultaneous equations model, in which the interrelationship between the dependent and independent variables is explicitly assumed. This approach has become increasingly common in recent American cross-sectional surveys, as they intend to measure an effect of wages upon union growth as well as an effect of union growth upon wages.

Especially when the observation period is as long as in the Bain-Elsheikh model, there is a possibility that the parameters

of independent variables change over time, consequently reducing the predictive power of the model. Bain and Elsheikh divided their whole observation period ( 1893 -1970 ) into two, one in 1922 and another in 1933, which are the eras of the outset of the post-war depression and the withdrawal of Southern Ireland from the United Kingdom, and the revival of trade unionism after the depression respectively, and estimated four separate regressions. Then, they applied the chow test and concluded that 'there had not been a structural shift.'<sup>70</sup> Nevertheless, some later assessments of the model suggested that the performance of the model is not as satisfactory as they claim. Richardson split the whole period in 1950 and, also using a chow test, found that, for the post-war periods, 'the equations are sometimes only marginally significant as a whole and of the individual variables only the change in money wage variable is significant by conventional standards.'<sup>71</sup> Similarly, both Sheflin et al and Florito, examining the model of American trade union growth by the same authors, insisted that the Wagner Act brought about a significant structural shift of the processes of union growth.<sup>72</sup>

This is probably the nature of union growth. Its processes are governed by such diverse and inter-related socio-economic factors that conventionally observed regular occurrence of micro-economic behaviour, such as the pattern of consumption, may not be adequate. What is required is a historical model that grasps the core of it.

### 3. Rational Choice and Aggregate Behaviour

The last approach to union growth considered here is the theory and models of economists. Their paradigm is explicitly individualistic; assuming union services as collective or private goods demanded and supplied in a market, they conventionally regard union growth as a consequence of optimum choices by rational consumers.<sup>73</sup>

The demand for union services is supposed to be a function of such factors as price of services, income, pecuniary and non-pecuniary benefits of union membership, the price of substitutes for union services and individual attitudes toward unionism. The supply function is determined by the relative price of such services, costs of organising, costs of providing and maintaining the services and union goals. The equilibrium level of unionism is determined by the two functions. Although the rigid demand and supply framework has rarely applied explicitly, it nevertheless underlies most of the cross-sectional and time-series models. A merit of the approach seems to be obvious. Its tight theoretical framework makes the human action more tractable, thus enabling both a formal treatment of the theory as well as statistical support of it. The aggregate action becomes predictable.

The economists' original concern was to theorise the processes of wage determination in the labour market and the



object of the study of union growth was to add another equation to their model in order to treat explicitly what had been 'exogenous' before. Nevertheless, the study of union growth can also be seen as one of the expanding, though less controversial, in comparison with crime or marriage, fields of neo-classical theory, as the action of joining or quitting unions has traditionally been regarded to have social aspects many of which are not quantifiable.<sup>74</sup> Indeed, many sociologists working in similar fields have often regarded the theory as being too narrowly based.<sup>75</sup>

#### Business-cycle Models

The economic theory of union growth originates with the institutional economists, such as Commons, who began the task of formulating the relationship between union growth and, primarily, the business cycle. Their work was followed by a series of attempts to analyze and formulate the factors of union growth after the war. Dunlop, for instance, identified four main factors as long-run determinants. First, a strategic position of workers in the technological or market structures, second, labour market attachment, third, community and governmental influences and finally the system of values held by the society. On the other hand, he regarded the short-run



variation of the membership as 'predominantly a market reflex.'<sup>76</sup>

Shister also developed one of the most comprehensive descriptive frameworks of union growth, which is summarised in Table 2.3.1. His argument not only laid a foundation for later developments of the economic study of union growth, but incorporated some essential arguments later put forward by sociologists. He considered that the crystallization of a working class, for instance, may be an important contributing factor of union growth. Nevertheless he insisted that the effect of such a process would be mediated by occupational mobility as well as short-run cyclical factors that materialise the potential.<sup>77</sup>

It is during the last two decades that these descriptive analyses has been developed into some econometric models of union growth or status based either upon a cross-sectional or a time-series framework.<sup>78</sup> A series of business-cycle models of union growth from Hines ( 1964 ) to Curruth and Disney ( 1988 ) constitute a tradition of time-series analyses, which is often found in standard textbooks of labour economics.<sup>79</sup> Although they conventionally operate within the neo-classical framework, a lack of the equivalent micro-underpinnings makes these models somewhat akin to that of Bain and Elsheikh, or other statistical analyses in industrial relations, sociology and social psychology.

Table 2.3.1 Shister's Model of Union Growth

1. Economy & Work Environment

A. Economic Change

cyclical variations of economy

lagging wage rates

increased bargaining power

employment expansion and 'social pressure'

rate of occupational mobility

C. Proximity Influence

institutional proximity

physical proximity

B. Structure of Industry

technical & market contours

skill scarcity

bureaucratisation

turnover rate

firm size or closeness to management

conditions of labour market

conditions of product market

composition of labour force

sex composition

age composition

ZDDDDDDDDDDDDDDDDDDDD?  
3 3  
3 UNION GROWTH 3  
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2. Socio-legal Framework

social climate

3. Leadership

organising techniques

structural & administrative framework

internal operation

collective bargaining relationships

Ashenfelter and Pencavel claim to explain the progress of the American labour movement in terms of a single behavioural relationship of maximization.<sup>80</sup> The rate of change of prices and employment in the unionized sector capture the movement of the relative benefits and costs of union membership to individual workers over time. It is argued that when consumer prices are increasing, it is probable that the discrepancy between the expected and actual wages become larger, and employer retaliation and the trouble in joining a trade union are reduced because of the tight labour market and union membership drive.

When employment is increasing, organizing efforts are likely to be made under favourable conditions for a trade union, and it often leads automatically to upturns in membership under union security agreements. They postulate a time lag ( three years moving average ) between membership (  $T$  ) and employment (  $E$  ) to account for the response time of the workers to employment conditions. The unemployment variable (  $Upt$  ) is supposed to capture labours' stock of grievances. Incorporating the difference between the current year and the year of the preceeding trough in the business cycle in order to allow for the 'decay' of such grievances, they originally hypothesized that,

$$g( U^p_t, t-i ) = k^{(t-i)} U^p_t$$

However, as little evidence of decay was detected in the actual modelling process, the variable  $U_{pt}$  was used for the estimation. Density term,  $(T/E)_t$ , or its inverse form, is incorporated into the model to capture what Bain and Elsheikh called the saturation effect. Political dummy ( $G_t$ ) is supposed to be an approximate measure of the 'general climate of opinion towards trade unions, or pro-labor sentiment', which is assumed to influence trade union legislation.<sup>81</sup> They also adopted instrumental variables (IV) estimates to allow for a possible simultaneous equations bias between membership and prices.<sup>82</sup> The model explains about 75 percent of the fluctuation of union growth. All the explanatory variables are significant at 5 percent level apart from some of the employment variables.<sup>83</sup>

Similarly, following the work of Booth, Curruth and Disney tried to explain union growth in terms of such factors as employment, previous year's density, retail price, nominal or real wages and a political dummy that captures the effect of non-Conservative government.<sup>84</sup> Their methodological contention was to deal with short-run and long-run growth more explicitly than their predecessors and empirically, they applied the model to explain the downturn of union membership since 1979 in the U.K..<sup>85</sup>

A priori signing of some variables, especially those of wage inflation and unemployment rate, were avoided on the ground that 'in a sellers' labour market, higher wages may be gained without union action and indeed may be hindered by the inertia



of union contracts' and 'higher unemployment, it could be argued, induces greater proportional membership as a defence reaction if unions are perceived as able to forestall reductions in employment.'<sup>86</sup>

Chow test, normality, Lagrange multiplier and heteroscedasticity tests are satisfactory and they claim that their model variance dominates that of the Bain-Elsheikh model. The employment, unemployment and error correction terms are well determined and highly significant. It is shown that if employment and real wages are growing at 2 per cent per annum, the equilibrium density is 45.7 per cent for the real-wage case and 39.6 per cent for the nominal inflation case. In contrast to other studies, the sign of real-wages variable is negative, indicating that, as they claim, the incentive to unionise is far stronger when real wage growth is lower. They also confirmed that 'the change in unemployment is strongly significant and negative, although acceleration ( or deceleration ) of any change has an offsetting effect.' The political dummy also suggests that in steady state the presence of a non-Conservative government raises density by 2.5 percentage points.<sup>87</sup> Their empirical object of the research was to forecast the decline of over 2 million trade union members since 1979. Their model does predict the downturn in density in this year exactly, although the Bain-Elsheikh model shows a time lag of one year.

## Economic Theory of Union Growth

The rational choice models of union growth, most of which have been developed since 1970, assume that an individual aims to maximize his or her utility that is represented by one's utility function. In a binary choice situation concerning union status, he joins a trade union when he considers that the benefits of so doing outweigh the costs, the foremost benefit often being considered to be the net wage gains that may result from membership.

Thus, Lee, and Duncan and Leigh claimed that an individual joins if union-nonunion wage differentials exceed his reservation wage, or his specific preferences, which is, in turn, considered to be a function of individual characteristics, monetary and non-monetary costs of becoming a union member and unobservable random factors.<sup>88</sup> Monetary and non-monetary costs are assumed to be able to be represented by individual characteristics and industries of employment. Personal characteristics in the empirical assessments include such factors as region, education, experience, race and sex.

Concerning the narrow economic determinism of the models, a recent attempt by Alison Booth to apply Akerlof's social custom model in this field may be stimulating.<sup>89</sup> Akerlof's effort was to incorporate, at least partly, the sociologists' and psychologists' concepts of norm or social custom into a maximization framework; an individual does not live in the

vacuous world where he can choose his action in a way that is only consistent with his preference but lives in the world where his action is, internally and externally, consciously and unconsciously, regulated by a network of rules and customs. And that such customs are often effectively maintained by sanctions, notably by reputation within a community.

A social custom is an 'act whose utility to the agent performing it in some way depends on the belief's or action's of other members of the community' and, hence, each individual's utility function can be thought to include a reputation component. An individual joins a union if the utility of so doing exceeds the utility of not so doing, and, under certain circumstances, the utility obtainable from joining a union is considered to be a function of wage gain, subscription and organisation costs as well as reputation. The utility obtainable from not so doing is a function of the union wage - the individual is assumed to be free riding.<sup>90</sup>

Naylor and Gregg's attempt is an integration of Booth's social custom theory and Freeman's 'resource mobilisation' model, in which the individual utility function is also supposed to be dependent upon bi-directional organisational resources; union expenditures to facilitate union growth and firm resources to deter it.<sup>91</sup> When do the social custom effects function? The reasoning is quite sociological; the effects may be stronger where 'isolated mass', rather than 'integrated individuals', exist and where a tradition of employee involvement is strong. Hence, as Bain and Elsheikh

showed, part-time workers in the manual sectors often conform to the social custom of joining, whereas amongst non-manual workers where density is relatively low, they feel no such norm and do not join.<sup>92</sup> In the same way, the attitude of a firm and an attachment to management would deter the function of the effects.

#### 4. Theories and Empirical Findings

Without being atheoretical, the best link between the theories may still be found in the empirical findings. This is particularly so as the content of the theories is fairly diverse. In the sociologists' model, for instance, the concept of 'stratification' links aspects of class situation, in which individuals who play a certain role in the societal division of labour are located. As for the study of union growth, no a priori priority is given to any component of the situation, such as economic ( market ) or social ( work and status ), and this is primarily thought of as an empirical problem. In the traditional class analysis, a micro-theory was not explicitly considered. This is because action has been assumed to be logically consistent with the elements in such a situation and, if it is not, the factors are simply regarded not to have good explanatory function.

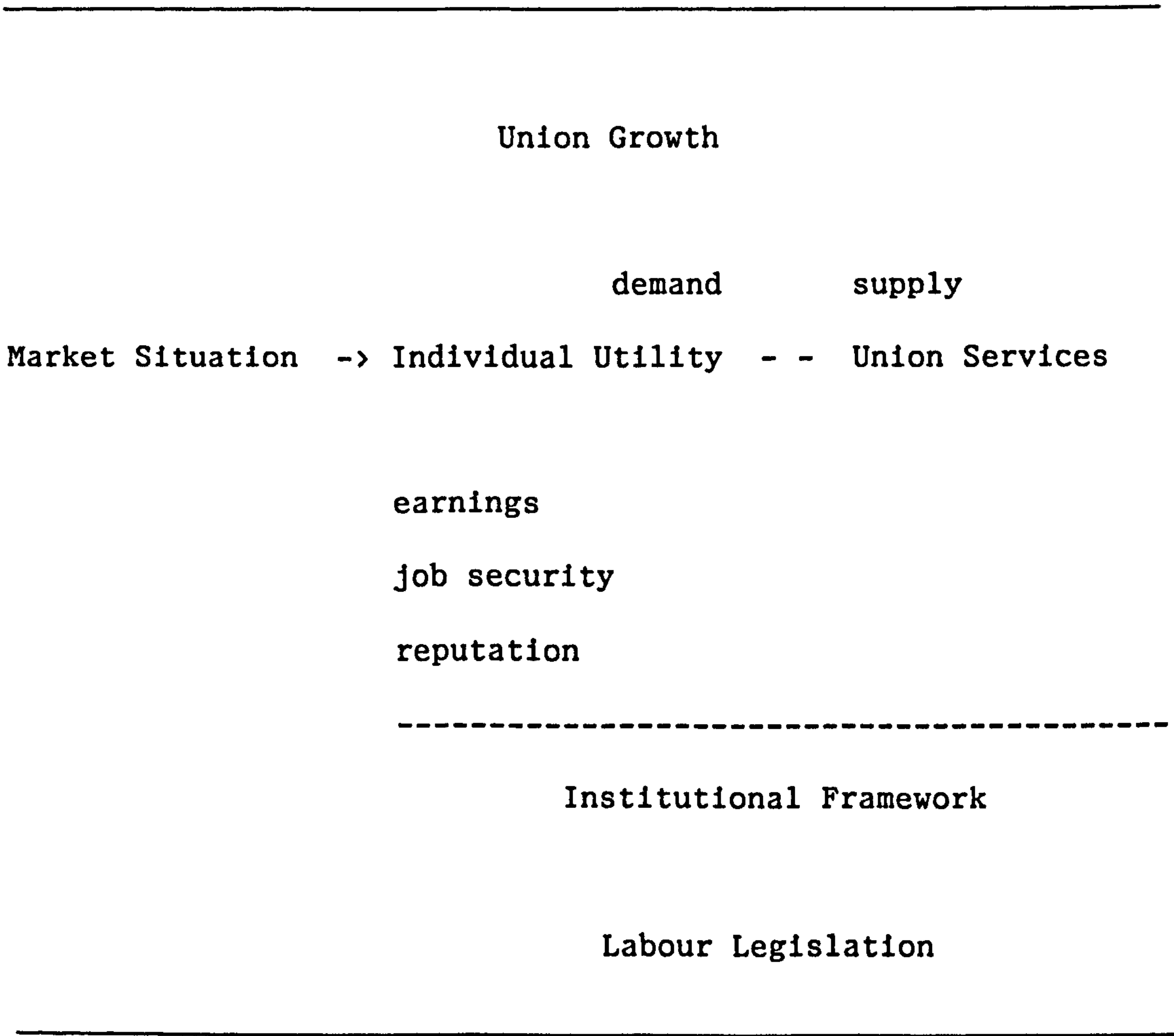


This type of approach is not particularly 'sociological', but has been widely used in social studies. Lockwood's framework of class situation, for instance, may be compared with Dunlop's or Shister's framework of union growth, upon which Ashenfelter and Pencavel formulated their time-series model.<sup>93</sup> Despite the differences in the explanatory criteria they use, it is not hard to see that they are methodologically parallel; in Dunlop's words, they are specifying the components of 'total environment'.<sup>94</sup>

Some sociologists, such as Raymond Boudon, treat the approach in a more positive fashion. Despite a lack of an explicit micro-foundation, many well-grounded sociological hypotheses are reducible to the sphere of individual action and certain elements of the foundation of decision making, such as preference, an exogenous assumption of the neo-classical theory, are obviously regarded as a function of the social components of such an environment.<sup>95</sup> Referring back to the less refined Weberian criteria of social action may broaden the perspective. Some sociologists now explicitly operate within a framework where utility maximization is regarded to be a type of social action.<sup>96</sup>

On the other hand, the economists' framework is, at least at the level of utility maximization as an intrinsic logic of human action, hard to verify directly. Nevertheless, in empirical surveys of this style, it seems to be reasonable to

Figure 2.4.1. Processes of Union Growth



examine the validity of causalities assumed within the traditional demand and supply framework and to re-assess the logic of action behind the observable patterns. Such a task is of some importance as, without a well-grounded understanding of the actual causal processes, any statistical model would merely trace the surface relationships amongst quantifiable variables,

with robust-looking, but nevertheless incorrect, interpretations of them.

The factors of union growth may be schematically located according to the function that they play in the causal processes ( Figure 2.4.1 ). Here, the basic idea is that much of the individual utility of union services, which underlies the demand for such services, or union growth, derives mainly from the individual's specific situation in the structure of the labour market. Three components of utility may be of particular importance; earnings, job security and reputation. The demand as well as the effective supply of such services are conditioned by some market and institutional factors such as firm size and the bargaining relationships of unions with management. The function of the state cannot be ignored in forming such bargaining relationships between trade unions and employers or their associations.

One contention of this work is that, in examining the substance of causal relationships, short-run 'cyclical' and long-term 'structural' determinants of union growth should be, at least methodologically, explicitly separated. This was Dunlop's intention. In developing time-series models, some economists, such as Booth, took heed of the facts that they are extracting cyclical, fractional factors from the totality of causal components and incorporating them into their models.<sup>97</sup> Nevertheless, few have attempted to simulate the structural

TABLE 2.4.1 Results of Cross-Sectional Studies

Model	Bain Elias ( 1985 )	Farber Saks ( 1980 )	Bain Elsheikh ( 1980 )	Duncan Stafford ( 1980 )	Hirsch Berger ( 1984 )	Hundley ( 1989 )
Sample	UK/NTS general	US/NLRB general	UK general	US manual	US manufac.	US/CPS non-manufac.
Determinants						
earnings	+	-	+		NC	
job security		+				
part-time	-		-			NC
white-collar	-		-			
promotion		-				
unionisation	+					
firm size	+		+		+	+
capital intensity				+	+	
concentration					+	NC
physical demand				+	+	NC
sex ( female )	-	NC	-	-	-	-
race		+		NC	+	NC
age						NC
education	-	NC		NC	NC	-
tenure, experience	+	NC		+	+	
region*	+		+	NC	+	NC

\* region: UK samples, the North, Wales and Scotland = 1, US samples, SMSA = 1.



TABLE 2.4.2 Results of Time-Series Analyses

Model*	Hines	AP	BE	Booth	CD**
	UK/1964	US/1969	UK/1976	UK/1983	UK/1988
Sample	1893-1961	1900-1960	1893-1970	1895-1980	1896-1984
Determinants					
constant					
price inflation	+	+	+	NC	+
wage inflation			+	+	-
employment t		NC			+
t-1		+			
t-2		+			
others or t-3		NC			
density t-1		+	+	+	
others or t-2			-	-	
unemployment t		+		-	+
t-1			-	+	
t-2			NC		
membership t-1	+				+
t-2					NC
t-3					-
profit t-1	+				
political dummy		+			+

\* Model: AP; Ashenfelter & Pencavel, BE; Bain & Elsheikh, CD; Curruth & Disney.

\*\* CD model has lagged p and w, the rates of change of e and u and lagged m-e.

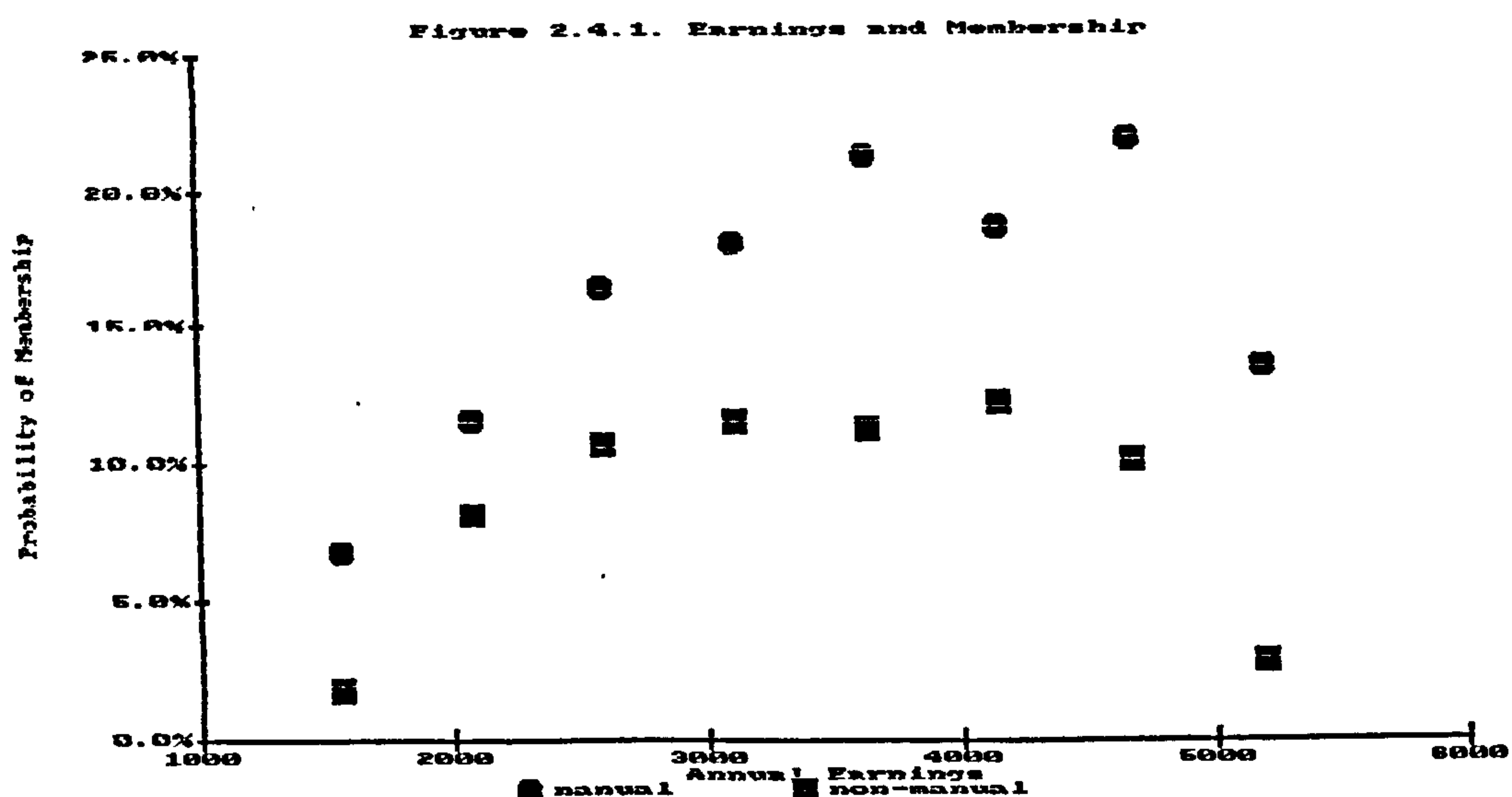
processes of union growth, as it does not easily fit into conventional business-cycle models. It is needless to say that these are relative concepts. It is likely that cross-sectional surveys tend to identify structural factors, but the effects of the short-run fluctuations of certain factors could not be excluded. Conventional time-series models are more likely to detect cyclical factors, but there is always a possibility that structural changes underlie short-run behaviour, thus leaving the distinction as a purely empirical problem.

A substantial number of works have been carried out by now and most of the likely determinants of union growth have been listed. Such factors are, for the sake of presentation, classified into earnings, non-pecuniary features of employment, institutional conditions of union growth and socio-demographic characteristics of employees in the following section. The first two roughly correspond with market and work situations in the stratification approach. Selective results are shown in Tables 2.4.1. and 2.4.2.

## Earnings

Empirical results on the effect of earnings and other benefits upon union growth have often been contradictory and their interpretation remains controversial. Some sociologists, such as Lockwood, did not attribute much significance to this factor as, amongst his sample of 'black-coated' workers, 'there is little demonstrable connection between unionization and economic position in the narrow sense of income and degree of job security'.<sup>98</sup> Similarly, Bain's study of white-collar unionism in manufacturing industry did not find a significant relationship between the two variables, although, as mentioned before, his results should be interpreted to demonstrate that earnings are not a dominant determinant of the cross-sectional pattern of unionisation.<sup>99</sup>

Nevertheless, it is worth noting that Lockwood's statement has an implicit inference from the standpoint of the 'stratification' approach; the lower one's location in the stratification system, the more one tends to be exposed to conditions which make collective bargaining favourable. Lockwood had noticed a pattern when he continued the remark writing that, in his sample, 'it was among the more highly paid and secure clerical population that the degree of unionisation was highest', suggesting that union growth follows a rather different logic.<sup>100</sup> His finding is consistent with Kornhauser's observations of male manual workers and Bain and



Elsheikh's inter-industry and inter-establishment analyses.<sup>101</sup> But it differs from Prandy et al's who wrote that 'those who earn more are less likely to be union members', although 'this situation was less clear-cut for staff associations', and with Farber and Saks' findings from an analysis of individual votes in the National Labour Relations Board ( N.L.R.B.) in the States.<sup>102</sup>

However, Lockwood's and Kornhauser's work did not involve a systematic statistical analysis and other studies merely indicate overall relationships between earnings and union membership. It was Bain and Elias who, using the National Training Survey data in the UK, produced a more general assessment of the relationship between employees' location within the earnings distribution and union membership. Their



results are reproduced in Figure 2.4.1.<sup>103</sup> Generally, the union membership function has a convex form, although such a relationship is less conspicuous amongst manual workers. They produced two explanations for this. First of all, the 'cost of union membership, union subscriptions, tend to decrease as a proportion of earnings as the level of earnings increases' and secondly, another 'cost of union membership, employers retaliation, tends to increase with earnings'.<sup>104</sup>

The first reasoning is virtually identical with the economists' explanation; union services are a normal good. This explanation is, at best, dubious not only because it is far from a 'common sense' understanding of the value of membership but does not explain the downturn of the membership function. In short, more empirical support seems to be required. The second reason amounts to the argument that the observable pattern does not derive from the earnings component per se, but derives from job characteristics which necessarily entail differences in earnings. Sociologists may associate this specific explanation with one's location within the authority structure.

Some economists, notably in America, have attempted to measure the simultaneous effects of union-nonunion wage differentials upon the union status of workers and that of union status upon wage differentials. Their results are not necessarily consistent as Ashenfelter and Johnson, Schmidt and Strauss found that wage differential does affect union status, but not vice versa, whereas Lee observed a simultaneous

relationship and Hirsch and Berger 'did not find the predicted union-nonunion wage differential . . . to significantly affect the likelihood of membership.'<sup>105</sup> As Hirsch and Addison wrote, amongst the economists, 'there is some disagreement whether or not an income variable belongs in the union demand function', because the positive effect may 'result from the fact that the wage rate is a proxy for other factors that increases expected benefits and/or lower the costs of union representation'.<sup>106</sup>

One solution to this problem may be to study the subjective meaning of joining unions. Guest and Dewe's social psychological study, for example, suggests that dissatisfaction with pay and fringe benefits, together with such aspects of employment as promotion, participation, communication and job security, appears as a significant determinant of union membership.<sup>107</sup> This at least indicates that, as shown in many business cycle models, earnings per se can be a short-run determinant of union growth. A similar study of N.A.L.G.O. by Nicholson et al, however, did not detect this relationship.<sup>108</sup>

### Non-pecuniary Features of Employment

Some recent research suggests that the individual utility of union membership can also derive from such non-pecuniary aspects of employment as job security and reputation, amongst

others.<sup>109</sup> These utility components may be considered to derive, at least partly, from the nature, or the institutional characteristics, of labour markets which serve as conditions of union growth. This is particularly applicable to job security. 'Structured' internal markets often require the acquisition of general or specific skill and offer promotion prospects, which reduces turn over rates.<sup>110</sup> Leaving aside the preferences that individuals may bring into labour markets, this forms a situation upon which they act.

Farber and Saks' work on the N.L.R.B. votes, for example, illuminates such causal processes. Amongst the individuals who feel it difficult to replace their jobs, those who are not dissatisfied with job security are 'significantly less likely to vote for unionization' and those who are dissatisfied are 'significantly more likely to vote for' it.<sup>111</sup> Those who have a satisfactory supervisory relationship are less likely to vote for unionization if it would cause a deterioration of such relationships and those who are dissatisfied with them are more likely to vote for it if it would help this. Similarly, 'if individuals felt that the chances for promotion were good, then they would be less likely to vote for the union'.

But the results of Farber and Saks on the effect of promotion prospects upon union growth are not consistent with Crompton and Jones' observation in British financial industries. However, they are largely consistent with the study of Guest and Dewe, in which dissatisfaction with promotion opportunities, job security and supervisory relations appear as



highly significant determinants of union growth.<sup>112</sup> They also found that 'union members are no more likely to consider leaving the company'. This means that such measurable factors as job-specific training, tenure and work experiences indicate, at least partly, the effect of this 'security-mobility' component of utility.

Furthermore, skill requirements in the primary market would come to constitute an integral part of organisational resources of trade unions. As Dunlop wrote, these workers,

"furnish labor services at decisive points in the productive stream where the withdrawal of services quickly breaks the whole stream".

He referred to these points as technological or market strategic positions.<sup>113</sup>

To locate in an 'un-structured' secondary labour market, on the other hand, systematically reduces the utility of union membership. Dissatisfaction with job security would be less intense as an alternative job is relatively easily available, promotion channels do not usually exist and, hence, supervisory relationships may be more casual than in those jobs in the primary market; in short, it may be quite 'rational' for these employees to be indifferent to union organizations. Furthermore, as has often been pointed out, high turn over rates among this class of employees also means a high 'attrition rate' that lowers the return for the unit of



organisational resources unions devote to recruitment.<sup>114</sup> Wherever it is incorporated into an analyses, part-time employment ( or certain socio-demographic attributes of individuals such as sex and race ) appears as a negative factor for union growth, as shown in, for instance, Lee, Bain and Elsheikh, and Antos et al amongst others.<sup>115</sup>

Most of these features of the labour market probably correlate with earnings and thus could be 'other factors' whose effects upon union growth are captured by the pecuniary measurement. Although most of the research does incorporate non-pecuniary factors, it is quite possible that their diversity and complexity make the separation of the 'pecuniary' and 'non-pecuniary' effects more difficult than it is often considered.

The second non-pecuniary component of utility of union membership, reputation, is usually used to represent the influences of other union members upon non-union members. The opposite case, when employees conform to 'managerial belief' and do not to join, seems to be considered that they do so as union services do not satisfy their needs. Nevertheless, evidence from Farber and Saks, for example, suggests that some employees do not join because they do not wish to deteriorate existing supervisory relationships unnecessarily.<sup>116</sup> In the same way, as mentioned earlier, Bain and Elsheikh found that part-time employees in highly unionised sectors tended to conform to the social custom of joining whereas those employees

in poorly organised non-manual sectors did not. A similar effect was also detected by Rallings and, Bain and Elias.<sup>117</sup>

### Institutional Conditions

Under this title are included factors that condition the function of trade unions and the industrial relations system, such as firm size, union organisers, recognition and bargaining relationships. The institutional framework seems to be crucial as this has not only to do with their effective function but also the installation of the very market mechanism. Firm size is often related to a demand condition; as Hundley wrote, the 'returns to a collective decision-making mechanism may be greater in a large firm' whereas 'in smaller firms, informal mechanism may be sufficient'.<sup>118</sup> Bain and Elsheikh, Hirsch, Hirsch and Berger, and Bain and Elias found a positive relationship between firm size and union membership.<sup>119</sup> Hundley found the relationship significant in his non-manufacturing samples but not in the manufacturing samples.<sup>120</sup> Naylor and Gregg also demonstrated that firm size primarily appears as a significant determinant of union density amongst non-manual workers in the non-union sector.<sup>121</sup>

Union leadership is, on the other hand, a factor on the supply side. Apart from historical studies, there had been few systematic surveys on the effect of union leadership and

structure upon union growth. Nevertheless, Undy et al regarded that positive-expansionist policies and the centralised structure of T.G.W.U. and then A.S.T.M.S. affected the growth of those respective unions and thus, found it 'impossible to accept' Bain's implication that 'unions are relatively powerless to affect the aggregate level of unionisation by positive and deliberate action'.<sup>122</sup> Some recent work also shows that some personal and demographic characteristics of organisers do affect union recruitment.<sup>123</sup>

Employers attitudes, recognition and bargaining relationships also appears as significant determinants of union growth. Non-recognition can mean that union membership may not associate with any increase in utility, even if the potential demand for such services exists. Thus, Kornhauser and Bain et al hypothesised that, as unionism succeeds in establishing itself firmly, the nature of causality would naturally change, from a voluntary act based upon certain attitudes or preferences to a quasi-obligatory act which depends upon social custom or coercion.<sup>124</sup> Regardless of the validity of this inference, there seems to be good reason to assume that, in time-series analyses, an attainment of recognition may cause a structural change in the process of union growth. In the cross-sectional studies, union recognition appeared in Bain's study as one of a few determinants of an overall pattern of unionisation in the white-collar sector of British manufacturing industries. Although Farber and Saks did not find the effect significant, Naylor and Gregg's, and Poole et al's



statistical work also demonstrated that the nature of the bargaining arrangements, as Clegg would have claimed, can be an important determinant of union membership amongst both manual and non-manual employees.<sup>125</sup>

### Socio-demographic Features of Individuals

Under this title, such factors as sex, race, age, education and regions are commonly dealt with. These personal attributes have fairly different causal effects. Sex and race, via custom and discrimination, closely relate to the labour market structure and thus, have implications for the growth processes as was discussed above. It is worth noting that some studies in the United States, including that of Farber and Saks, Antos et al and Hirsch and Berger, have shown opposite effects between the two variables; female employment generally decreases union density whereas the employment of black or non-white often has a positive effect.<sup>126</sup> The labour-market related function may also be applicable to such a factor as education, which is demonstrated by some models mentioned above. In comparison with this, the effect of age and education upon union growth seems to be less clear-cut. Although accepting Shister's argument that younger workers are likely to show greater propensity to unionise, Bain and Elsheikh, for instance, also maintained that older workers may have more opportunity to unionise, thus



leaving it as a purely empirical problem. Thier survey supports the latter notion.<sup>127</sup>

Economists generally argue that, while preferences and attitudes toward trade unions may vary considerably, much of this variation amongst individuals stems basically from differences in the expected benefits of membership.<sup>128</sup> Thus changes in the pattern of union growth are attributable to the changes in such benefits but not 'ad hoc' changes in preference structure per se. Nevertheless, systematic differences in preferences are sometimes observable at aggregate levels. Region is often regarded to be such a factor.<sup>129</sup> Blackburn once wrote that, in Britain, a watershed of people's attitudes may be found somewhere around the Wash-Severn line. But the sources and continuity of the alleged differences in attitudes require examination, as they may derive immediately from the situation found in the North which has, in his words, 'more manufacturing industry, less money and there are people in lower social status'.<sup>130</sup> Or, as has been shown by some writers, area differences in political attitudes may influence the pattern.<sup>131</sup>

1. Cronin, J.E. 1979. Industrial Conflict in Modern Britain. London: Croom Helm. 26. 'Stratification' approach may be more adequate in order to differentiate it from the concept in the French structuralist and the Anglo-American sociological tradition.

2. Durkheim, E. 1982. The Rules of Sociological Method. ( Trans. by W.D.Halls ) London: Macmillan.

3. Craib, I. 1984. Modern Social Theory; From Parsons to Habermas. Brighton: Wheatsheaf. 65.

In both approaches, the concept of 'proletarianization', namely, in this context, the assimilation of parts of the middle classes into the working class especially in terms of some external conditions, has been played a major role to explain the problem; the increasing trade union participation among this strata is frequently explained by the degrading external conditions of the work force. However, the concept is often used in a different theoretical context. In the Marxist framework, the conceptual link of the term with the changing positions of the strata in the production relations is emphasised, although, in the neo-Weberian analytical framework, some descriptive categories on life chances are usually adopted to explain patterns of actions.

4. Crompton, R. 1976. 'Approaches to the Study of White-collar Unionism'. Sociology, vol,10 p.409.

5. Marx, K. 1909 ed. Capital III. 1031-32.

Dahrendorf, R. 1959. Class and Class Conflict in Industrial Society. 3-35.

6. Renner, K. 1978. 'The Service Class'. In T.Bottomore and P.Goode ed. Austro-Marxism. Oxford: Clarendon Press.

Cottrel, A. 1984. Social Classes in Marxist Theory.

Elster, J. 1985. Making Sense of Marx. Cambridge University Press. 322-323.

7. Poulantzas, N. 1978. Classes in Contemporary Capitalism. ( trans. D.Fernbach ) London: Verso.

Wright, E.O. 1979. Class Structure and Income Determination.

Carchedi, G. 1977. On the Economic Identification of Class. London:Routledge.

Carchedi, G. 1987. Class Analysis and Social Research. Oxford: Basil Blackwell.

Wright, E.O. 1985. Classes.

Elster, J. 1986. op.cit.

Roemer, J. 1986. Value, Exploitation and Class.

Roemer, J. 1986. Analytical Marxism. Cambridge University Press.

8. Carchedi regarded that capitalist production process is a functional unity of the value production process ( labour process ) and the surplus value production process. Correspondingly, management has two functions; technical coordination as the labourer and control as the non-labourer. ( Carchedi, G. op.cit. )

See also Braverman, H. 1973. Labour and Monopoly Capital.

Johnson, T. 1977. 'What is to be known? The Structural Determination of Social Class'. In Economy and Society, vol.6.

9. G.Carchedi, 1977, op.cit., 9.

Criticizing the neo-Weberian approaches, he wrote,

"Clearly, then proletarianization is explained in terms of capital accumulation, i.e. in dynamic terms, rather than in broadly descriptive economic and sociological terms. . . . Both aspects of the process of proletarianization thus reflect the same aim : the increase in surplus labour or surplus value. ( ibid., p.9 )"

Similarly, Abercrombie and Urry, summarizing the argument of Braverman, wrote,

". . . it is the accumulation of capital which fundamentally determines the organization of the capitalist labour process, and in particular the tendency for labour to become progressively fragmented and deskilled, and for the work of 'conception' ( mental labour ) to be separated off from the work of 'execution' ( manual labour ). ( N.Abercrombie and J.Urry, 1983, Capital, Labour and the Middle Classes. London: Allen & Unwin. 56 )"

10. Crompton, R. 1979. 'Trade Union and Insurance Clerk.' 407-408.

Hence, criticizing a neo-Weberian conception of market and work situation, exploited and developed in this field especially by Lockwood, Crompton wrote,

"... for Marx, market relations represent only one side of the reality, they are 'surface process' which mask the relationships underlying market activity --- i.e. capitalist relations of production. . . . Lockwood's discussion of the 'work situation' compares clerical with manual workers in respect of job content and working conditions, and proximity to positions of authority within the workplace. Although I would not deny that there exist considerable differences between manual and white-collar work and authority relationships, I would argue that ... such relationships can only be fully understood if they are seen as being mediated through capitalist production relationships."

11. Ibid., pp.407-408. See, Crompton, R. and J.Gubbay. 1977. Economy and Class Structure. London:Macmillan, on the relationship between the location of the clerk in the structure of production relations and the empirically occurring 'market' and 'work' situation of clerical work.

12. Crompton "would not claim that the identification of the abstract categories constituting 'double proletarianization' enables a mechanically simple 'reading off' of these market and work situations. ( Crompton, R. 1979. op.cit. 407.)"

13. As for the excision of the control function,

" It is amongst the 'low-trust' man below the promotion gap that we should look for unionization in response to the mechanized centralization of control in white-collar bureaucracies. Crompton unfortunately offers no evidence on this point. . . . whilst the formation of an office proletariat . . . may be a necessary condition for the substantial unionization of workers in white collar industries, it is by no means a sufficient one."



and stressed the importance of three broad sets of factors, namely the strategic factors identified by George Bain, inter-organizational competition which are highly significant in the financial industries, and the 'organizational form' taken by proletarianization. Heritage also doubted the significant impact of declining relativities on unionization. The 'strategic factors' mean i) the business cycle variables ii) the employers' attitudes iii) the government policies. The 'organizational form' approximately denotes the composition of the labour force, especially the importance of the expanding female section, who are effectively denied the occupational mobility by a variety of obstacles, and hence eliminated from exercising capital function. ( Heritage, J. 1980. 'Class Situation, White-collar Unionization and the Double Proletarianization Thesis : a Comment'. Sociology vol.14 no.2. Crompton's reply is also in the same volume. )

14. Crompton, R. and G.Jones. 1984. White-collar Proletariat: Deskilling and Gender in Clerical Work. London: Macmillan. 173 and 208.

It is also worth noting that Crompton and Jones, after their sociological survey, pointed out the possible important influence of class situation upon individuals in a wider context of life-cycle. Referring to the empirical works of Nicholson et al. and Low-Beer, they wrote,

"Union activists were using the union as an expression of their values and beliefs as individuals, which they had in a sense 'brought to' the organizational context."

". . . despite our caution in predicting a direct relationship between objective class location and patterns of trade union membership and behaviour at the organizational level, we would not expect there to be no association whatsoever. We would frankly admit that the trend of recent empirical findings runs against this interpretation. Nicholson et al., for example, found that the causes of individual union members' decisions to participate or not

to participate in union activities 'have been firmly identified as less in the sphere of work experience than in more widely based value orientations.'

For example,

"the most important variables explaining strike participation among technicians were the individual's political position, which itself was influenced by the nature of his family background ; in short, his political socialization. ( Crompton, R. and G.Jones. 1984. op.cit. p.179. )"

15. Weber, M. 1968ed. Economy and Society, vol.2. N.Y.; Bedminster Press. 926-939.

16. Ibid.

17. Giddens, A. 1981. The Class Structure of the Advanced Societies. London: Huchinson. 104

18. Weber, M. Ibid. In his definition, classes are to be differentiated according to both the differences of the quality and quantity of property, and the types and the degree of 'monopolization' of 'marketable skills' which they bring into the labour market, consequently creating numerous types of classes.

19. Ibid.

20. Ibid.

21. Klingender, F.D. 1935. The Condition of Clerical Labour in Great Britain.

Lockwood, D. 1958 The Blackcoated Worker. London: Allen & Unwin. ( Lockwood, D. 1989ed. The Blackcoated Worker. Oxford: Clarendon. )

22. Lockwood, D. 1958. op.cit., p.15.

In his study, 'class consciousness' of a non-manual worker denotes " his sense of identification with, or alienation from, the working class."

See also Crompton, R. and J.Gubby. 1977. Economy and Class Structure, p.21. Criticising D.Lockwood, they wrote,

" Although the notion of 'work situation' recognises that groups have different experiences of work, these experiences are not themselves related to the structure of capitalist relations of production. ( Ibid., p.22 )"

23. Lockwood, D. 1958. op.cit., p.34.

See also Lockwood, D. 1966. 'Sources of Variation in Working Class Images of Society'. Sociological Review, XIV p.250.

He wrote that,

"in understanding the failure of concerted action among clerks it is not to their economic position, narrowly conceived, that we must look, but principally to the motives and actions occasioned by their role in the division of labour of the office, and by their position in the hierarchy of social rank in society at large."

"There's little demonstrable connection between unionization and 'economic' position in the narrow sense of level of income and the degree of job security . . . On the contrary, it is among the more highly paid and secure clerical population that the degree of unionization is highest. . . . There is in fact no general correlation between social status and trade unionism in the clerical field. ( p.150 )"

And explored such aspects of work situation as the size of work units, authority structure, mechanization and the age and sex composition of labour forces and confirmed a general view that,

"Office workers, therefore, are now divided into classes. The managerial staff is being more and more sharply distinguished from the subordinates, and the standardisation of



duties and the fixing of salaries within narrow limits have placed the latter category in a position similar to that of factory workers. ( p.90 )"

In so far as the growth of trade unions is concerned, some economists put an opposite emphasis on the economic factors, although, as will be discussed in the third section, it remains highly controvertial in that field as well. Only empirical work would clarify the actual causal process. Nevertheless, Strauss, for example, considers that, although the importance of such things as low wages depends to a considerable extent on the worker's conception of his job, 'they play a significant role, or, as one organizer put it, 'it is almost impossible to organize an office unless management has done something wrong recently to stir the people up. ( Strauss, G. 1954. 'White-Collar Unions Are Different'. Harverd Business Review vol.XXXI1 Also quoted in Hyman, R. and R. Price. 1983. op.cit., p.207.)'

24. Lockwood, D. *ibid.* pp.141-149.

25. Lockwood, D. *ibid.* pp.145-147.

26. Bain, G.S. et al. *op.cit.* p.9.

Bulmer, M. ed. 1975. Working Class Images of Society. London: Routledge.

Roberts, K. et al. 1977. The Fragmentary Class Structure. London: Hinemann.

Davis, H. 1979. Beyond Class Images. London: Croom Helm.

Graetz, B.R. 1983. 'Images of Class in Modern Society', Sociology, vol.17.

Emmison, M. 1985. 'Class Images of the Economy', Sociology, vol.19.

27. Lockwood, D. 1966. *op.cit.*

Bott, E. 1971. Family and Social Network.

28. Moorhouse, H.F. 1972. 'Attitudes to Class and Class Relationships in Britain.' Sociology, vol.10, 472.

Lockwood, D. 1966. *op.cit.* 262.

29. Dahrendorf, R. 1959. *op.cit.*

30. *Ibid.*, 282-283



31. Goldthorpe, J.H. and D.Lockwood. 1963. 'Affluence and the British Class Structure.'  
Sociological Review, XI 146.

As Prandy put it, in the prestige model, society is seen as

'a set of superior and inferior grades in which every member accepts the validity of the status criteria, and thus his own place within the hierarchy. Status satisfaction is essentially harmonious, in the sense that it arises out of an acceptance of the authority structure. Individuals can compete with one another to raise their own status, but the validity of the criteria by which status is measured, the basis of legitimation, is not questioned. ( Prandy, K. 1965. Professional Employees. 37. )'

32. Quite often these models are further differentiated. For example, Lockwood categorised manual workers into

i) the traditional workers : power model

ii) the deferential workers : status model

iii) the privatised workers : pecuniary model

according to the diversity of the industrial and community milieux. ( Lockwood, D. op.cit. p.250. )

33. Lockwood, D. 1966. op.cit.

34. Ibid., p.265

35. Goldthorpe, J.H. and D.Lockwood. 1963. op.cit. p.146.

36. Bain, G.S. et al. p.16.

37. Blackburn, R.M. and K.Prandy. 1965. 'White-collar Unionization: A Conceptual Framework.' British Journal of Sociology. vol.16.

Blackburn, R.M. 1967. Union Character and Social Class: A Study of White-collar Unionism.

38. Prandy, K., A.Stewart and R.M.Blackburn. 1974. 'Concepts and Measures: The Example of Unionateness.' Sociology, vol.8. The concept derives from Lockwood ( op.cit. pp.137-138 ).

39. Prandy, K., A.Stewart and R.M.Blackburn. 1982. White-collar Work, and, 1983. White-collar Unionism. London: Macmillan.

40. Fosh, P. and I.Wingfield. 1983. a review article. Sociology, vol.17, pp.591-3.

Guest, D.E. and P.Dewe. 1988. 'Why Do Workers Belong to a Trade Union? A Social Psychological Study in the UK Electronics Industry'. British Journal of Industrial Relations, vol.26, 178-193.

41. Bain, G.S., D.Coates and V.Ellis. 1973. Social Stratification and Trade Unionism.

They criticised the major sociological approaches saying that social stratification does not constitute the predominant, or even a major, determinant of union growth and character, at least at a highly aggregated level, and emphasized the importance of strategic and economic variables.

42. Kornhauser, W. 1963. Scientists in Industry: Conflict and Accomodation.

43. Bain et al. op.cit. pp.57-58.

44. Flanders, A. 1968. 'Collective Bargaining: A Theoretical Analysis.' Flanders, A. Management and Unions: The Theory and Reform of Industrial Relations.

Fox, A and A.Flanders. 1969. 'The Reform of Collective Bargaining: From Donovan to Durkheim.' British Journal of Industrial Relations, vol.7, 151-180.

In the latter, the authors applied anomie, or a general breakdown of normative systems, to the British industrial relations in the 1960s. The locus of researches moved from Oxford to Warwick where the S.S.R.C. established the Industrial Relations Research Unit in 1970. Some leading figures have now left the unit.

45. Bain, G.S. and F.Elsheikh. 1976. Union Growth and the Business Cycle: An Econometric Analysis.

Clegg writes, "for many years before his death, he ( Flanders ) worked on a theory of union growth as a first step to a general theory ( Clegg, H.A. 1976. Trade Unionism under Collective Bargaining: A Theory Based on Comparisons of Six Countries. Oxford: Blackwell.)

46. Dunlop, J.T. 1944. Wage Determination under Trade Unions, N.Y.: Macmillan.

Ross, A.M. 1948. Trade Union Wage Policy. Berkeley: University of California.

Kerr, C. 1948. 'The Model of a Trade Union.' Wright Bakke, E. and C.Kerr ed. Unions, Management and the Public.

Dunlop, J.T. 1958. Industrial Relations System.

47. For the latter example, see, for instance, Guest, D.E. and P.Dewe. 1988. 'Why Do Workers Belong to a Trade Union?: A Social Psychological Study in the UK Electronics Industry'. British Journal of Industrial Relations, vol.26, 178-193. Moore, W.J. 1978. 'An Analysis of Teacher Trade Union Growth'. Industrial Relations, vol.17, No.2. Moore identified four theoretical categories of variables, i.e. economic, internal sociological, organizational, and external social and political.

48. Poole, M. 1981. Theories of Trade Unionism: A Sociology of Industrial Relations, London: Routledge, p.48.

49. Dunlop, J.T. op.cit.

Chamberlain, N.W. 1951. Collective Bargaining. N.Y.: McGraw-Hill.

Blain, A.N.J. and J.Gennard. 1970. 'Industrial Relations Theory - A Critical Review'. British Journal of Industrial Relations, vol.8, 390-391.

50. Clegg, H.A. 1976. op.cit. p.11.

51. Ibid. pp.7-11.

52. Ibid. pp.20-21. For the sake of comparison, Shister's frameworks may be mentioned. This is reproduced in Table 2.3.1. Three main criteria of the factors of union growth are;

#### I. Work Environment

Economic Change

Structure of Industry

Proximity Influence

#### II. Socio-legal Framework

#### III. Trade Union Leadership



( See Dunlop, J.T. 1948. 'The Development of Labour Organisation : A Theoretical Framework.' Lester, R.A. and J.Shister ed., Insights into Labour Issues. pp.163-193.

Shister, J. 1953. 'The Logic of Union Growth'. Journal of Political Economy, LXI pp.413-33. )

53. Bain, G.S. 1970. The Growth of White-collar Unionism.

The factors are summarized in the following two-equation descriptive model.

$$D = f ( C, R )$$

$$R = g ( D, G )$$

where

D = the density of white-collar unionism

C = the degree of employment concentration

R = the degree to which employers are prepared

to recognize unions representing white-collar employees

G = the extent of government action which promotes union recognition

The probable similarities of the factors which affect manual and non-manual union growth have also been pointed out. 'There are many similarities in the way in which union membership among white-collar and manual workers fluctuate over time' and the correlation coefficient is  $r = +.86$  over the years 1892-1979. ( Bain, G.S. ed. 1983. Industrial Relations in Britain. 10. )

54. Bain, G.S. 1970. op.cit. 183.

He examined such factors as



- a. socio-demographic characteristics of the white-collar workers: sex, social origins, age and status.
- b. the economic position: earnings, other terms and conditions of employment.
- c. the work situation: employment concentration, opportunities for promotion, mechanization and automation, and proximity to unionized manual workers.
- d. the public image, the recruitment policies and structures of unions.
- e. employer policies and practices.
- f. government action and social climate.

The concept of work situation derives from the premises of British sociology. Amongst the factors examined, he regards only the first factor can be proved to have a clear function of promoting unionism. There are two reasons for this; the development of a 'bureaucratic' treatment of employees and correspondent active recruiting policies often adopted by trade unions. He wrote,

"Since the rules apply to him as a member of a group rather than as an individual, the most effective way of modifying them in his favour is by collective bargaining rather than individual bargaining. . . trade unions tend to concentrate their recruiting efforts on such groups."

This is because, 1) Employees are probably more favourably disposed towards trade unionism because of the reason pointed out before, and therefore easy to recruit. 2) The economy of scale on recruitment. In general, the larger the group recruited the lower the per capita cost for both recruitment and administration. 3) The possible greater impact of collective agreements. 4) 'The more members union recruits, the more power it is able to wield in negotiations with employers as well as within the labour movement.'

As for the opportunities of promotion, pointing out the limited scope of existing empirical research, he wrote that,

"blockage of promotion opportunities is very often associated with bureaucratization, and it is highly probable that the effects of the latter upon unionization are reinforced by the effects of the former",

but it cannot be regarded as a necessary condition for its growth because of the existence of many exceptional cases such as bank employees, draughtsmen and journalists, which can also be applied to the case of the proximity to manual workers.

It is often argued that office mechanization reduces the average level of skill, thereby changing the internal market structure and increasing dead-end specialization and decreasing promotion prospects, which facilitates 'assembly line' work flows that are often characterized by shift work, control of work pace, piece work, introduction of work study and lower motivation of workers. Nevertheless, his observation suggests that 'so far office mechanization and automation have not had the dire results which some people have predicted.'

Proximity of white-collar employees to unionized manual workers is alleged to affect the growth of white-collar unionism in two ways. 1) The so-called 'demonstration' and 'learning' effects : a demonstration of the benefits of trade unionism by unionized manual workers or opportunity to learn about these benefits are provided. 2) Direct stimulation by 'manual unions directly recruiting white-collar workers into their ranks or at least lending white-collar unions moral, financial, and strategic support in their organizing drives. ( Ibid., pp.72-86 )'

55. Adams, R.J. 1977. 'Bain's Theory of White-collar Union Growth: A Conceptual Critique'. British Journal of Industrial Relations. vol.XV no.3. 318.

56. Ibid. 153.

Bain mentioned these factors as follows.

"For example, while the strategic variables may explain the existence of unionism per se among a given group of workers, which particular union is successful in organizing the group may be determined by union structures and recruitment policies. . . . Similarly, the explanation of why one worker in a given environment joins a union while another worker in the same environment does not, may well be found in the different personality or attitude structures of the two individuals."

Criticizing the works of Prandy ( 1965 ) and Blackburn ( 1967 ), he also wrote,

"But the strategic variables predominate, and unless they are held constant, any explanation of these less aggregative patterns of union growth is likely to be obscured or distorted. . . . Regrettably, most of the studies which have tried to ascertain the determinants of the individuals' propensity to unionize by means of attitude surveys have not controlled for these strategic variables. ( Bain, G.S. 1970. op.cit. 187 )"

57. Ibid. 153.

Price also questioned the explanatory power of the model saying,

"it tells us very little about the process of growth and decline after the recognition has been achieved. While recognized unions may generally enjoy a higher level of density than unrecognized unions, there are enormous variations in the process of growth and decline, and apart from variations occurring in the level of employment concentration, there is nothing in the model to explain such variations. ( Price, R. 1983. 'White-collar Unions: Growth, Character and Attitudes in the 1970s' Hyman, R. and R.Price ed. The New Working Class?; White-collar Workers and Their Organizations. London: Macmillan. 153.)"



58. Bain, G.S. and F.Elsheikh. 1976. Union Growth and the Business Cycle: An Econometric Analysis. Oxford: Basil Blackwell.

Hines, A.G. 1964. 'Trade Unions and Wage Inflation in the United Kingdom 1893-1961'. Review of Economic Studies, XXI.

Ashenfelter, O. and J.H.Pencavel. 1969. 'American Trade Union Growth, 1900-1960.' Quarterly Journal of Economics, LXXXIII.

Sharpe, I.G. 1971. 'The Growth of Australian Trade Unions: 1907-1969.' Journal of Industrial Relations.

59. Ashenfelter, O and J.H.Pencavel. 1969. op.cit. 434.

Hence union membership is supposed to grow in so far as the marginal benefits of unionism are greater than the marginal costs of organizing. For an employee, the major benefits of membership are a higher wage, greater employment security and better working conditions. The major costs are dues and other fees, the possible retaliation from employers and subsequent job loss, and the troubles and inconvenience of becoming a member. As Bain and Elsheikh pointed out, the emphasis is upon the demand side.

See also, Ashenfelter and Pencavel. 1971. 'The Demand for Union Services: an Exercise'. Industrial and Labour Relations Review, XXIV, 181.

Bain, G.S. and F.Elsheikh. 1976. op.cit. 61-62.

Elsheikh, F. and G.S.Bain. 1978. 'Trade Union Growth: A Reply', British Journal of Industrial Relations, vol.16, 99.

60. This takes a specific form,

$$T_t = a_1 + a_2 P_t + a_3 W_t + a_4 U_{t-1} + a_5 D_{t-1} + e_t$$

where subscripts denote time and the following signs of the coefficients are expected.



$a_2, a_3 > 0$

$a_4, a_5 < 0$

61. Ibid. 62.

62. This assumption was criticised on two grounds. One is the fact that there can be no theoretical explanation for this effect and another is the mis-specification of the formula adopted for the actual calculation. ( See also Booth, A. 1983. 'A Reconsideration of Trade Union Growth in the United Kingdom', British Journal of Industrial Relations, no.21. )

63. Ibid. 62.

64. When unemployment is high or increasing, the level of aggregate demand is reduced and production loss as a result of industrial action will cost less to employers. Also, they can recruit an alternative labour force in the face of industrial action. Similarly there would be less benefits that unemployed workers and even the members who are not unemployed can get from unions and the cost of union membership would be relatively greater. However, there can be also some economic, social and political reasons such as to obtain unemployment benefits which work contrary, and the relationship is supposed to be relatively weak. ( Ibid. 66-67.)

65. Ibid. 67.

66. Ibid. 85-86.

"since the periods 1915-1920 and 1940-5 were characterized by compulsory arbitration and other measures which produced a social climate particularly favourable to trade unions, dummy variables which took the value of unity during these periods and zero for all other years were included in the model."

67. Some of their results are reproduced here.

TABLE 2.2.1 Bain-Elsheikh Model

Equation	1	2	3	4	5
Method	OLS	OLS	OLS	OLS	OLS
Period	1893-1970	U.K.			
Constant	6.321 (5.048)	5.762 (3.956)	6.041 (4.319)	-4.290 (-3.332)	1.714 (0.587)
P	0.633 (8.518)	0.451 (4.994)	0.583 (5.938)	0.606 (5.737)	0.771 (9.223)
Pt-1	0.272 (3.572)				
PSt			-0.504 (-3.470)	-0.333 (-2.174)	
Wt		0.360 (3.298)	0.494 (4.571)	0.423 (3.584)	
(W/P)t					0.429 (4.050)
Dt-1	-0.202 (-5.101)	-0.202 (-5.153)	0.542 (1.880)		0.251 (0.881)
(Dt-1)2			-0.014		-0.008

		(-2.604)		(-1.624)	
(Dt-1)-1			83.603		
			(4.226)		
Ut-1		-0.563	-0.441	-0.345	-0.622
		(-2.137)	(-1.719)	(-1.219)	(-2.460)
Ut-2		0.612	0.281	0.514	0.541
		(2.467)	(1.151)	(1.953)	(2.299)
Corrected R2	0.608	0.675	0.725	0.663	0.702
SER	4.18	3.85	3.54	3.92	3.69
DW	1.503	1.647	1.705	1.503	1.661

---

SOURCE : Bain and Elsheikh. 1976. op.cit.

TABLE 2.2.2 Bain-Elsheikh Model      Industry-Level

Equation	1	2	3
Method	CORC	CORC	OLS
Industry	Metals & Engineering	Chemicals & Allied	Printing & Publishing
Period	1926-1938 and 1948-1974 G.B.		

Constant	-8.637 (-2.241)	24.232 (2.614)	8.586 (2.167)
W-P	-1.063 (-2.004)	-1.189 (-1.424)	-0.401 (-2.557)
Dt-1		-0.616 (-2.516)	-0.080 (-1.701)
(Dt-1)-1	495.22 (2.482)		
U	-0.626 (-2.046)	-1.453 (-1.884)	-0.480 (-1.609)
L	0.946 (3.449)		
SD	1.643 (2.906)	2.014 (2.183)	0.459 (2.195)
R2	0.724	0.487	0.243
DW	2.094	2.009	2.058

---

SOURCE : Bain and Elsheikh. 1982. op.cit.



NOTE : CORC is the Cochran-Orcutt iterative estimation procedure. L denotes the rate of change of potential membership, and SD is slope dummies introduced to allow the intercept and the slope of the equations to shift between the two sub-periods.

See also, Elsheikh, F. and G.S.Bain. 1979. 'The Determination of the Rate of Change of Unionization in the U.K.: A Comment and Further Analysis'. Applied Economics, vol.11.

Bain, G.S. and F.Elsheikh. 1982. 'Union Growth and the Business Cycle: A Disaggregated Study.' British Journal of Industrial Relations, vol.20.

68. For assessments of the Bain-Elsheikh model,

Richardson, R. 1977. 'Review Article: Trade Union Growth'. British Journal of Industrial Relations, vol.XV, No.2.

See also 'reply' and 'rejoinder'. 1978. British Journal of Industrial Relations, vol.XVI.

These articles can also be found in McCarthy, W.E.J. ed. 1985. Trade Unions. Middlesex: Penguin Books.

Sheflin, N., L.Troy and C.Koeller. 1981. 'Structural Stability in the Models of American Trade Union Growth'. Quarterly Journal of Economics, vol.96.

Fiorito, J. 1982. 'Criticism and Comment, American Trade Union Growth: An Alternative Model', Industrial Relations, vol.21, No.1.

69. See Sharpe, I.G. 1971. op.cit.

Bain, G.S. and F.Elsheikh. 1976. op.cit.

Burkitt, B. and D.Bowers. 1978.

Moore, W.J. 1978. op.cit.

Sapsford, D. 1986.

70. Bain, G.S. and F.Elsheikh. 1976. op.cit.

71. Richardson, R. 1977. 281.

72. Sheflin, N. et al. 1981. op.cit. 87-88. They write,

"unlike earlier studies that hypothesized a war year shift, our results suggest that the transition occurred earlier, around 1937-1938, reflecting, most likely, the impact of the Wagner Act. Not surprisingly, we found indications of very different processes at work in the two subperiods."

Similarly, Fiorito concluded that

"consideration must be given to the possibility that these variables' influences may not be consistent over time. Moreover variables which have been identified in cross-sectional studies, such as sex, race, and occupation may play an important role in a time-series framework."

73. Hirsch, B.T. and J.T. Addison. 1985. The Economics of Unions. Boston: Allen & Unwin.

Pencavel, J.H. 1971. 'The Demand for Union Services: An Exercise'. Industrial and Labour Relations Review, vol.24.

Ashenfelter, O. and G. Johnson. 1972. 'Unionism, Relative Wages and Labour Quality in U.S. Manufacturing Industries'. International Economic Review, vol.13, 488-508.

Pencavel, for instance, regarded the act of joining a trade union as something

"akin to the purchase of a capital asset. Membership in such associations renders services for consumption, in return for which the member is obliged to pay certain cost,"

and constructed the demand function for union services in terms of the theory of consumer choice, namely the demand depends on an income variable, the price of and return on these and alternative services, and the tastes and preferences. The desired stock of union services in time  $t$  is written as,

$$M_t^* = f ( X1_t, X2_t, . . . Xn_t )$$

where  $X_i$ 's are the variables determining demand.

Pencavel included permanent real income per capita (Y), union dues (D), the interest rate on building-society shares (R), a wartime dummy (W), and constant adjustment coefficients for the supply of union services (u) in the operational form of the function. Thus,

$$M_t = u a_0 + u a_1 Y_t + u a_2 D_t + u a_3 R_t + u a_4 W_t + (1-u) M_{t-1} + u e_t$$

where  $M_t$  is the percentage of the labour force unionized and  $e$  is a stochastic disturbance term. The 'free rider problem' on the public goods provision is also considered. Paying heed to other social factors, he also wrote,

"The generally low values of the elasticities . . . may indicate that economic factors play a limited role in accounting for the growth of trade unionism and that a comprehensive explanation needs to draw on the related disciplines of sociology and political science as well. ( Pencavel, J.H. 1971. 'The Demand for Union Services: An Exercise'. Industrial and Labour Relations Review, XXIV.)"

74. Becker, G.S. 1976. The Economic Approach to Human Behaviour. Chicago: University of Chicago Press.

75. Cronin, J.E. op.cit.

Etzioni, A. ed. 1991. Socio-economics: Towards a New Synthesis. N.Y.: M.E.Sharpe.

76. Dunlop, J.T. 1948. op.cit.

77. Shister, J. 1953. op.cit.

In fact, many of the later arguments on the determinants of union growth can be found here, although some have been dropped from major analyses.

social custom; the expansion of employment in bargaining units where unionism is strongly entrenched would lead to substantial growth as 'most of new employees will join the union because of the social pressure of the organised nucleus.'

long-run asymmetry; 'over time, the reductions in membership during cyclical declines in employment tend to become proportionately smaller' because of the social welfare unions provide and costs of leaving and joining a union.

firm size; would represent such factors as closeness to management, work conditions and costs of organisation.

age composition; would measure such factors as 'loyalty' to a firm, cost of leaving a job and to find another job and education.

leadership; might be important as it shows the 'ability to adapt the relevant group to changing socioeconomic conditions.

78. See, for example, Fiorito, J. and C.R.Greer. 1982. 'Determinants of U.S. Unionism: Past Research and Future Needs' Industrial Relations, vol.21, no.1, 2.

Stepina, L.P. and J.Fiorito. 1986. 'Toward a Comprehensive Theory of Union Growth and Decline' Industrial Relations, vol.25, no.3.

79. Hines, A.G. 1964. 'Trade Unions and Wage Inflation in the United Kingdom: 1893-1961' Review of Economic Studies, XXXI.

Carruth, A and R.Disney. 1988. 'Where Have Two Million Trade Union Members Gone?' Ecconomica, 55.

80. Ashenfelter, O. and J.H.Pencavel. 1969. 'American Trade Union Growth, 1900-1960' Quarterly Journal of Economics, LXXXIII.



Their model still maintains character as a direct descendant of the institutional economists. Following these and Hines, they embarked on work to incorporate some factors into a model, which was, in a sense, the natural application of the standard procedure because some of the identified factors were quantifiable readily. They considered that the major benefits of union status are higher wages, greater employment security and better working conditions. The costs are dues, retaliation from the employers and inconvenience of becoming a member.

Their model's general form is,

$$T_t = \beta_0 + a_1 P_t + \sum_{i=0}^n a_{2i} E_{t-i} + a_3 (U_{pt, t-i}) + a_4 (T/E)_{t-1} + a_5 G_t + n_t$$

where  $E_t$  is the rate of change of employment in the unionized sectors of the economy,  $U_{pt}$  is the amount of unemployment in the preceding trough of the business cycle and  $G_t$  is the proportion of Democrats in the United States House of Representatives.

It is expected that

$$a_1, a_{2i}, a_3 \text{ and } a_5 > 0$$

$$a_4 < 0$$

81. Ibid., 438-439. Note that the definition of union density in the Bain-Elsheikh model is  $T/L \times 100$ , where denominator, or potential union membership, is defined to include all employees, whether employed or unemployed, who are legally permitted to unionize.

82. If  $T$  influences  $P$  significantly, an assumption of the regression model breaks down, and the OLS estimator of the coefficient on  $P$  would be biased and inconsistent. A least

squares linear combination of the unemployment rate, percentage changes in average labour productivity, and the lagged rate of change of money wages were used for the instrument. The result suggests that the rate of change of prices has a strong effect on union growth, but not the opposite relationship, which implies that the trade unions are to some extent "defensive" organizations. ( Ibid., 444.)

83. Their results are reproduced here.

TABLE 2.3.1 Ashenfelter-Pencavel Model

Equation	1	2	3
Method	OLS	OLS	IV
Period	1904-60	1904-60	1904-59
	**	**	**
Constant	-10.584	-15.322	-11.070
	(2.506)	(3.027)	(2.551)
	**	**	**
Pt	0.673	0.683	0.614
	(0.128)	(0.128)	(0.208)
Et	0.127	0.122	0.150
	(0.079)	(0.080)	(0.103)
	*	*	*
Et-1	0.110	0.107	0.119
	(0.047)	(0.047)	(0.059)
	*	*	*
Et-2	0.083	0.082	0.084

	(0.044)	(0.044)	(0.047)
Et-3	0.047	0.046	0.044
	(0.034)	(0.034)	(0.034)
	*	*	*
dEt-i	0.367	0.357	0.397
	(0.157)	(0.157)	(0.196)
	**	**	*
Upt	0.249	0.290	0.220
	(0.096)	(0.095)	(0.107)
	*		*
(T/E)t-1	-0.063		-0.055
	(0.027)		(0.028)
		*	
(T/E)-1t-1		69.170	
		(31.130)	
	**	**	**
Gt	0.222	0.216	0.230
	(0.056)	(0.055)	(0.058)
<hr/>			
R2	0.749	0.749	0.751
SER	3.74	3.74	3.74
DW	1.66	1.68	1.62
<hr/>			

SOURCE : Ashenfelter and Pencavel. 1969. op.cit.

NOTE : The figures in parentheses are the estimated standard errors of the estimated regression coefficients. The t test is shown by asterisks. One denotes significance at the 5 percent level and two indicate significance at the 1 percent level.

84. Curruth and Disney. 1988. op.cit.

Booth, A. 1983. 'A Reconsideration of Trade Union Growth in the United Kingdom.' British Journal of Industrial Relations, vol. 21.

An unrestricted general model with all the variables transformed into logarithms takes the form,

$$t_t = \sum_{i=0}^3 \alpha_i t_{t-i-1} + \sum_{i=0}^3 \beta_i e_{t-i} + \sum_{i=0}^3 \delta_i p_{t-i} + \sum_{i=0}^3 \gamma_i w_{t-i} + \sum_{i=0}^3 \sigma_i u_{t-i} + \epsilon_t$$

where  $t_t = \ln T_t$  and  $T$  denotes trade union membership,  $E$  denotes employment,  $P$  is retail price index,  $W$  is the hourly earnings index,  $U$  is the unemployment rate and  $n$  is the error term. Simplifying the general model using the sample evidence in order to obtain a parsimonious specification, the estimating equation takes the form,

$$\begin{aligned} ltt = & a_0 let + a_1 llet + a_2 (m - e)_{t-1} + a_3 lpt-1 + a_4 lwt-1 + a_5 lut \\ & + a_6 llut + a_7 ltt-1 + a_8 ltt-2 + a_9 ltt-3 + DPol + \epsilon_t \end{aligned}$$

where  $ltt$  is the rate of change of trade union membership,  $let$  and  $llet$  denote the rate of change of employment and its rate of change ( whether the change is increasing or decreasing ),  $(m - e)_{t-1}$  is the previous years density defined over employment,  $lpt-1$



and  $lwt-1$  are the rate of change of retail price index and nominal wage respectively, lagged one year. Rate of change of past years membership and a political climate dummy are also incorporated. The dummy variable takes the value 0 when the Conservatives were in power and 1 when Labour, Liberals or a coalition, and  $nt$  is the disturbance term. Note that, as  $l\ln Z_t = \ln (Z_t - Z_{t-1}) / Z_{t-1}$ , their model is not very different from the Bain-Elsheikh model. They also tested the real wage model, in which the variable  $l(w - p)_{t-1}$  was used. Note that, unlike Bain and Elsheikh, and following Ashenfelter and Pencavel, they defined 'potential membership' to exclude the unemployed.

85. Their equilibrium or steady state level membership is the same as that of the previous year modified by the rate of change of employment and the feed-back from the previous year's density. As shown in the estimating equation, disequilibrium or short-run effects are presented further by retail prices, wages, unemployment rate, past years membership and political climate.

Variables are transformed into logarithm as, by observing the relationship between the residual of membership regressed on employment and unemployment, they found that 'high unemployment tends to lead to increasing negative residuals, whereas periods of low unemployment ultimately lead to increasing positive deviations of membership from employment. (p.7)'

86. Ibid. 6.

87. Their results are reproduced here.

TABLE 2.3.2 Curruth and Disney Model

Equation	1	2	3
Method	OLS	OLS	OLS
Period	1896-1984		

lpt-1	0.59 (3.74)	0.54 (3.40)	
lwt-1	-0.45 (3.35)	-0.43 (3.24)	
l( w - p )t-1			-0.39 (2.97)
lut	-0.079 (6.63)	-0.077 (6.27)	-0.073 (6.02)
llut	0.048 (4.53)	0.048 (4.64)	0.048 (4.64)
ltt-1	0.50 (5.49)	0.47 (5.12)	0.50 (5.61)
ltt-2	0.095 (1.06)	0.11 (1.23)	0.13 (1.44)
ltt-3	-0.19 (2.58)	-0.19 (2.63)	-0.18 (2.50)
( m - e )t-1	-0.011 (3.21)	-0.007 (1.65)	-0.007 (1.65)

let	0.52	0.61	0.56
	(2.44)	(2.48)	(2.61)

llet	0.70	0.66	0.70
	(4.46)	(4.21)	(4.50)

DPol		0.015	0.018
		(1.93)	(2.42)

---

SER	0.035	0.035	0.035
-----	-------	-------	-------

RSS	0.098	0.094	0.097
-----	-------	-------	-------

Forecast X2	0.50	0.51	0.37
-------------	------	------	------

Chow F	0.37	0.37	0.32
--------	------	------	------

Normality X2	10.56	6.79	4.29
--------------	-------	------	------

LM F	1.91	1.89	2.20
------	------	------	------

H. SOR F	1.40	1.38	1.38
----------	------	------	------

H. (W) F	1.33	1.29	1.41
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SOURCE : Carruth and Disney. 1988. op.cit.

NOTE : LM F is the F-form of the Lagrange multiplier test. H. SOR and H. (W) denote heteroscedasticity tests based on the squares of the regressors and White (1980) respectively.

88. Lee, L. 1978. 'Unionism and Wage Rates: A Simultaneous Equations Model with Qualitative and Limited Dependent Variables.' International Economic Review, vol.19, No.2.

Duncan, G.M. and D.E.Leigh. 1980. 'Wage Determination in the Union and Nonunion Sectors: A Sample Selectivity Approach,' Industrial and Labour Relations Review, vol.34.

See also, Hanushek, E.A. and J.E.Jackson. 1977. Statistical Methods for Social Science.

Schmidt, P. 1978. 'Estimation of a Simultaneous Equations Model with Jointly Dependent Continuous and Qualitative Variables: The Union-Earnings Question Revisited.' International Economic Review, vol.XIX.

Lee's model is close to conventional economic practice. Union services are assumed to be demanded 'if the percentage union wage differential exceeds his reservation wage which summarizes his specific preferences,'

$$\frac{W_{ui} - W_{ni}}{W_{ni}} > p_i$$

where  $p_i$  is assumed to be a function of the characteristics of the person and the costs of becoming a member. Thus,

$$p_i = aX_i + bC_i + e_{1i}$$



where  $X_i$  is a vector of individual characteristics,  $C_i$  is an index which summarizes the monetary costs and non pecuniary costs of becoming a union member, and  $e_i$  is the error reflecting unobservable random factors which is assumed to be normally distributed.

The explicit and implicit costs  $C_i$  for an individual worker  $i$  are,

$$C_i = r_1 + r_2 X_i + r_3 Z_i + e_{2i}$$

where  $X_i$  is a vector of characteristics and  $Z_i$  is a vector of attributes of industry.

Thus the individual  $i$  joins the union if,

$$\frac{W_{ui} - W_{ni}}{W_{ni}} > (a + b_{r2}) X_i + br_1 + br_3 Z_i + e_{1i} + be_{2i}$$

In the form of a probit model, if  $I_i^* > 0$ , worker  $i$  is in the union, otherwise not, where

$$I_i^* = d_0 + d_1 \left( \frac{W_{ui} - W_{ni}}{W_{ni}} \right) + d_2 X_i + d_3 Z_i - e_i$$

Although this is the union status equation, union and nonunion wage equations were also adopted to allow the simultaneity, which are,

$$W_{ui} = h_{u0} + h_{u1} X_{ui} + h_{u2} Z_{ui} + e_{ui}$$

$$W_{ni} = h_{n0} + h_{n1} X_{ni} + h_{n2} Z_{ni} + e_{ni}$$

where  $W_{ui}$ ,  $W_{ni}$  are the union and nonunion wage rates for the individual  $i$ ,  $X_i$  is a vector of personal characteristics,  $Z_{ui}$ ,  $n_i$  are the attributes of the unionized and non-unionized industries respectively, and  $e_u$ ,  $e_n$  are random residuals.

89. Booth, A. 1985. 'The Free Rider Problem and a Social Custom Model of Trade Union Membership.' The Quarterly Journal of Economics, C, 253-261.

Akerlof, G.A. 1980. 'A Theory of Social Custom, of Which Unemployment May Be One Consequence.' The Quarterly Journal of Economics, XCIV, 749-75.

90. Booth, A. *ibid.* 255.

Ordinary restrictions, such as identical preferences and self-interest based utility maximization, are assumed.

91. Naylor, R. and P.Gregg. 1989. 'An Inter-establishment Study of Union Membership in Great Britain'. Warwick Economic Research Paper. mimeo.

Freeman, R.B. 1976. The Effect of the Union Wage Differential on Management Opposition and Union Organizing Success'. Quarterly Economic Review, vol.76.

92. Bain, G. and F.Elsheikh. 1980. 'Unionisation in Britain: an Inter-Establishment Analysis Based on Survey Data.' British Journal of Industrial Relations, vol.VIII, 169-178.

93. See sections 1 and 3.

94. Dunlop, J.T. 1948. *op.cit.*

95. Boudon, R. 1981. The Logic of Social Action. ( trans. D. Silverman ), London; Routledge.

96. For an example in growth study, see Guest, D.E. and P.Dewe. 1988. 'Why Do Workers Belong to a Trade Union? A Social Psychological Study in the UK Electronics Industry'. British Journal of Industrial Relations, vol.26, 178-193.

For an example of a general argument, see Etzioni, A. ed. 1991. *op.cit.*

97. Booth, A. 1983. *op.cit.* She wrote,

"the business cycle theory may be regarded as offering an explanation for short-run deviations from long-run or trend growth. It is desirable therefore to view the business cycle theory of unionization i) within the context of long-run structural factors that affect trade union growth, and ii) as one facet of the whole economy."

98. Lockwood, D. op.cit. 150.

99. Bain, G. op.cit.

100. Lockwood, D. ibid.

101. Kornhauser, W. 1963. op.cit.

Bain, G. and F.Elsheikh. 1979. 'An Inter-Industry Analysis of Unionization in Britain'. British Journal of Industrial Relations, vol.17. 137-57.

Elsheikh, F. and G.Bain. 'Unionisation in Britain: An Inter-Establishment Analysis Based on Survey Data'. British Journal of Industrial Relations, vol.18.

102. Prandy, K et al. 1983. op.cit. 39-44.

Faber, H.S. and D.H.Saks. 1980. 'Why Workers Want Unions? The Role of Relative Wages and Job Characteristics'. Journal of Political Economy, vol.88. 349-369.

85.2 per cent of the workers in the sample from the 1972 and 73 N.L.R.B. elections were in manufacturing.

103. Bain, G. and P.Elias. 1985. 'Trade Union Membership in Great Britain: An Individual Level Analysis'. British Journal of Industrial Relations, vol.23, 71-91.

104. Ibid. 84.

105. Ashenfelter, O. and G.E.Johnson. 1972. 'Unionism, Relative Wages, and Labor Quality in U.S. Manufacturing Industries'. International Economic Review, vol.13, 488-508.

Schmidt, P. and R.P.Strauss, 1976. 'The Effect of Unions on Earnings and Earnings on Unions: A Mixed Logit Approach'. International Economic Review, vol.17, 204-212.

Lee, L.F. 1978. op.cit.

Hirsch, B.T. and M.C.Berger. 1984. 'Union Membership Determination and Industry Characteristics'. Southern Economic Journal, vol.50, 665-679.

106. Hirsch, B.T. and J.T.Addison. op.cit. 30 and 63.

107. Guest, D.E. and P.Dewe. 1988. op.cit.

108. Nicholson, N., G.Ursell and P.Blyton. 1981. The Dynamics of White-collar Unionism; A Study of Local Union Participation. London; Academic Press.

109. Farber, H.S. and D.H.Saks. 1980. op.cit.

Booth, A. 1985. op.cit.

110. See Chapter 3 for the dual labour market theory.

111. Farber, H.S. and D.H.Saks. op.cit.

112. Crompton, R. and G.Jones. op.cit. 185.

Guest, D.E. and P.Dewe. op.cit. 184-185.

The latter study suggests that other factors such as participation, communication and grading system can also be causes of dissatisfaction.

113. Dunlop, J.T. op.cit. 179.

114. Freeman, C. 1983. 'Why Are Unions Faring Poorly in NLRB Representation Elections?'

115. Lee, F. op.cit.

Bain, G. and F.Elsheikh. 1985. op.cit.

Antos, J.R. et al. 1980. Sex Differences in Union Membership'. Industrial and Labour Relations Review, vol.33, 162-69.

116. Farber, H.S. and D.H.Saks, op.cit.

117. Bain, G. and F.Elsheikh. 1980. op.cit.

Rallings, C. 1983. 'White-collar Workers, Unionisation and Political Behaviour'. Industrial Relations Journal, vol.14, 60-73.

Bain, G. and P.Elias. 1985. op.cit.

118. Hundley, G. 1989. 'Things Unions Do, Job Attributes and Union Membership'. Industrial Relations, vol.28, 339.



Some writers, such as Ashenfelter and Johnson, showed a positive relationship between concentration and union growth.

119. Bain, G. and F.Elsheikh. 1979. op.cit.

Elsheikh, F. and G.Bain. 1980. op.cit.

Hirsch, B.T. 1982. op.cit.

Hirsch, B.T. and M.C.Berger. 1984. op.cit.

Bain, G. and F.Elsheikh. 1985. op.cit.

120. Hundley, G. 1989. op.cit.

121. Naylor, R. and P.Gregg. 1989. op.cit.

122. Undy, R. V.Ellis, W.E.J.McCarthy and A.M.Halmos. 1981. Changes in Trade Unions. London: Hutchinson.

Also in McCarthy, W.E.J. 1985. Trade Unions. Penguin Books.

123. Reed, T.F. 1989. 'Do Union Organisers Matter? Individual Differences, Campaign Practices, and Representation Election Outcomes'. Industrial and Labour Relations Review, vol.43, 103-119.

124. Kornhauser, W. op.cit.

Bain, G. et al. op.cit.

125. Naylor, R.and P.Gregg. op.cit.

Poole, M., R.Mansfield, P.Frost and P.Blyton. 1983. 'Why Managers Join Unions: Evidence from Britain.' Industrial Relations, vol.22, 426-444.

See also Moor, W.J. 1979. op.cit.

126. op.cit.

127. Bain and Elsheikh. 1979. op.cit.

128. Hirsch, B.T. and J.T.Addison. 1985. op.cit. 32.

129. Hirsch and Addison. op.cit.

130. Blackburn, R. op.cit.

131. Rallings, C. 1983. op.cit.

### 3. The Banking Industry and the Industrial Relations System

The aim of this chapter is to provide an overview of the banking industry and its industrial relations system, upon which the subsequent empirical analysis of union growth will rest. It has already been seen in the previous chapter that, leaving aside the institutional factors, a substantial part of the observable patterns of the aggregate action amongst employees can be considered to stem from the social and economic situation in which they are located and that such patterns would be most systematically considered in terms of the structure of the labour market. Thus, the basic operational framework is the dual labour market theory, which is probably of some help in bringing together some aspects of the organisational structure of contemporary enterprises, labour management and union growth at a concrete level of day-to-day operation.

Hence, the first section of this chapter will describe the theory briefly. This is followed by an overview of the industry, the development of its internal markets, its industrial relations system and some aspects of unionisation which will not be dealt with in the subsequent time-series analysis.

## 1. Rise of Dualism

The dual labour market theory, more a sociological theory than an economic theory in its basic construction, originally derived from the labour force problems of the disadvantaged, particularly those of the black workers in the urban areas in the United States. Why are they so poor? Some economists, notably Doeringer and Piore, thought that orthodox neo-classical labour economics was not very competent in solving such a problem and started developing a systematic account of the structure and function of the labour market at a concrete level, although the origin of the theory can be traced back as far as the American institutionlists.<sup>1</sup>

At the core of the theory is the assumption that the labour market is divided into two, or more, distinct segments, between which there is immobility of the labour force. From this idea some theorists developed a systematic account of such themes as the generation and the function of the segmentation, social behaviour traits of the labour force and its relationship with social stratification. The novelty of such a conception can best be seen in comparison with orthodox economic theory, which generally assumes that the rational maximizing behaviour of individuals generates socio-economic structure that is essentially continuous.

Although neo-classical labour economics consists of the supply theory based upon the utility maximization of workers and the demand theory based upon the profit maximization of the

employers, the application of the same theoretical postulates into the field of income distribution had resulted in the development of human capital theory. It is assumed that, under conditions of workers' identical preference, equal natural abilities, identical non-monetary advantages of jobs, same length of working life and same uncertainties of earnings and unemployment, a rational school leaver would behave in a way which reflects the costs incurred in and the benefits derived from the education. Hence it can be predicted that, once allowances are made for all non-pecuniary factors, the remaining wage differential will be explained as a function of human capital endowments such as schooling, O.J.T. and so forth, which reflect different labour productivity. Against this, the dual labour market theorists insisted that,

"where race and sex are introduced as further explanatory variables ( of low earnings ), any given level of human capital investment yields lower returns for females and for non-whites,"

from which they postulated that there was immobility of the labour force between the segments.<sup>2</sup> Thus,

"workers are barred from the primary sector not so much by their own lack of human capital as by institutional restraints such as discrimination and by a simple lack of good jobs."<sup>3</sup>



Methodologically, this provides another example of the controversy concerning the logic of aggregate or, in fact, individual action; should it be considered as a consequence of a subjective decision to fulfil a certain end or can it be understood that such action is largely deducible from the environment in which an individual is located? This can be an empirical problem. Berger and Piore, who started from the paradigm of traditional economic theory, found that,

"by starting from the premise of groupings that are institutionally defined, we could analyze individual behaviour as the response to rules and incentives that develop in different segments of society."<sup>4</sup>

Despite the fact that much of the novelty that dualism had seems to have been effectively absorbed into the flexible framework of neo-classical economics, the challenge of it, including its Marxian 'radical' version, stimulated a large amount of empirical work in the field and seems to have contributed to a better understanding of the nature and function of labour markets at a more concrete level. It filled a gap which neo-classical theory left as a black-box.

The nature of labour market discontinuity may also be an empirical problem and can significantly differ even amongst Anglo-Saxon societies. Piore, for example, proposed in his early work a two-sectors model with sub-tiers.<sup>5</sup> The primary sector consisted of upper and lower tiers. An upper tier

included professional and managerial jobs which provided the highest pay and status, good working conditions, employment stability and greater promotion opportunities. The mobility and turnover were essentially associated with advancement. These jobs lack the elaborate set of work rules and formal administration procedures which characterise lower-tier employment. Formal education is often an essential requisite for employment. A lower tier offers jobs with relatively high wages, good working conditions, chances of advancement, equity and due process in the administration of work rules, and above all, employment stability. Thus, the sector has a structured 'internal market', which is defined as an 'administrative unit, such as a manufacturing plant, within which the pricing and allocation of labour is governed by a set of administrative rules and procedures' in contrast with the external labour market of neo-classical theory where they are determined by economic variables.<sup>6</sup>

The secondary sector, on the other hand, is characterised by low wages, poor working conditions, high labour turnover, little chance of advancement and a personalised relationship between workers and supervisors. The secondary sector may, a) be completely unstructured, b) be characterised by secondary internal markets with formal internal structures which have many 'entry ports' and short 'mobility clusters', c) have secondary jobs attached to internal markets in which the remainder of the jobs are primary.

The underlying determinants of the internal market structure is regarded to be technology in use and a corresponding skill requirement, which is, in turn, dependent upon the products market situation.<sup>7</sup> Corresponding techniques of production may be classified as, a) one requires general skills such as generally trained professionals and highly trained craft workers, b) one breaks the work into highly specialised individual tasks, reminiscent of Adam Smith's pin factory and c) one requires general unskilled labour. Thus, it is argued that these skill requirements determine the structure of the market segments, each of which may correspond with the primary upper, primary lower and the secondary market respectively, although they did not disregard the important functions of other factors such as the system of O.J.T., customary law, conditions of external market and the effect of trade unions and management.<sup>8</sup> It may be worth noting that, in contrast to this, some radical economists like Gordon, Edwards and Reich attributed the segmentation to a successively adopted 'social structure of accumulation' or the 'systems of labour control', which some of them assumed to have taken three historical forms; 'simple', 'technical' and 'bureaucratic' controls.<sup>9</sup>

Doeringer and Piore considered that thus established internal markets carry out some basic functions. These include enhanced job security and chances of advancement, turnover reduction, which is necessary to minimise the quasi-fixed factor of production, and technical efficiencies in recruitment, screening and training. The primary sector, where



internal markets are prevalent and jobs usually have little connection with the external market, often requires job-specific skills which make long employment relationship indispensable, whereas high turnover rates in the secondary sector do not affect productivity. It was upon this understanding of the labour market structure that they proposed social policies to create primary jobs in urban areas.

## 2. The Banking Industry

Banks in the U.K. are currently classified under the following categories; the Bank of England, the High Street Banks, Trustee Savings Banks, Merchant Banks, National Girobank, National Savings Banks, British Overseas Banks and Foreign Banks.<sup>10</sup> The High Street Banks include most of the major retail banks, namely, Barclays, National Westminster, Lloyds, Midland, Royal Bank of Scotland, Bank of Scotland, Citibank, Clydesdale, Co-operative, Coutts & Co. and Standard Chartered Bank. Trustee Savings Banks, starting as savings banks which accepted deposits with interest but did not offer current accounts or lend money, developed into four large commercial banks and their previous role is now undertaken by the National Savings Bank which is run by a governmental Department of National Savings through post offices. Merchant Banks are those whose main activities are the acceptance of bills of exchange,



issuing house services and corporate financial services, relying upon the wholesale money market for deposits. It is the retail banks, particularly the four largest English clearing banks, that will be the focus of this work.

### Banks and Internal Markets

The structure of retail banking in Britain, which had long operated under the London clearing banks, the Scottish and the Northern Irish banks and discount houses, underwent a marked re-organisation in the past decade. Following the affiliation of the Co-operative and the Trustee Savings Banks, and the National Girobank into the London Clearing House in 1975 and 1980 respectively, the 1980s saw a change in the structure of the clearing system. The Association of Payment Services ( APACS ) was established in 1985 to deal with payment clearing and money transmission services, under which operational companies were placed; Clearing House Automatic Payment System ( CHAPS ) and Town Clearing Company, Cheque and Credit Clearing Company, and Bankers' Automated Clearing Services Limited ( BACS ). The settlement members include all major High Street Banks as well as the Bank of England, Trustee Savings Banks and National Girobank. Accordingly, the Committee of London Clearing Bankers, which had co-ordinated interest rates, organised the clearing system and functioned as a liaison body

with the Bank of England and Whitehall. By September 1985 it had also reorganised into the Committee of London and Scottish Bankers.<sup>11</sup>

Amongst the High Street Banks, Barclays Bank has a certain share in the Bank of Scotland and also has common directors. Coutts is wholly owned by National Westminster Bank and a part of the share of the holding company of Royal Bank of Scotland is held by Lloyds. Clydesdale, which had been a subsidiary of Midland, was sold to National Australia Bank in 1987. Midland itself is scheduled to be bought by a foreign bank. A substantial value of shares are also held by individuals, and despite the existence of well over 100,000 small to medium shareholders, the top one per cent in number owns approximately 80 per cent in value of the shares of Barclays and National Westminster.<sup>12</sup>

Historically, the foundation of major clearing banks was laid down through the Amalgamation Movement between 1900 and 1925. The pace of concentration was such that 106 English joint stock banks in 1891 had decreased to 34 in 1918.<sup>13</sup> The merger of Lloyds Bank with Capital and Counties Bank in the latter year was toward the end of the process and, at that time, the company had well over 10,000 employees. The next major reorganisation of the industry occurred nearly a half century after when the government reversed its long-established attitude against concentration that had been maintained since the Colwyn Committee. National Westminster was formed in 1968 from the National Provincial Bank, which had acquired the

District Bank in 1962, and the Westminster Bank. The business of the three banks were transferred to the new bank in January 1970.

After the failure of the triple merger between Barclays, Lloyds and Martins in 1968, Martins merged into Barclays. Williams & Glyn's was formed in 1969 to take over the business of three banks; Glyn, Mills & Co, William Deacon's and the National Bank. Williams & Glyn's later merged with its parent bank, Royal Bank of Scotland in September 1985. Thus, 11 London clearing banks in 1960 reduced their number to 6 through the mergers in the late 1960s, which has been followed recently by entire restructuring of the industry.

The Trustee Savings Banks, which originally started as small savings banks whose deposits were paid over to the government, started to run current accounts in the 1960s. Following the recommendations of the Page Committee, over 73 regional savings banks in the beginning of the 1970s were merged into around 18 banks in 1974 and now consist of four banks that cover England and Wales, Scotland, Northern Ireland and the Channel Islands. In Scotland, the National Commercial Bank, which was formed by a merger between the National Bank of Scotland and Commercial Bank in 1958, merged with Royal Bank of Scotland in 1968. Lloyds maintained 16 per cent of its holding company, National and Commercial banking Group. Barclays sold British Linen Bank to Bank of Scotland in 1969 for 35 per cent shareholding of the latter.



Clearing banks, particularly Barclays and Lloyds, have also had investments in international banking. A major change occurred in Barclays in 1971 when it obtained full ownership of an independent public company, Barclays DCO ( Dominion, Colonial & Overseas ) which had vested interest in Africa and the Caribbean islands, in order to avert conflicts of interest between different bodies of shareholders. The bank was re-named as Barclays Bank International, which gave Barclays an extensive network in developing countries. Barclays' own foreign department was transferred to B.B.I. in the next year. A similar move was taken by Lloyds, which lead a merger between its wholly and partly owned subsidiaries, Lloyds Bank Europe and Bank of London and South America ( BOLSA ), in the same year and then, buying out the minority interest, launched as Lloyds Bank International in 1974.<sup>14</sup> Lloyds also had some interest in Grindlays Bank, which was, in 1984, bought by the Australia and New Zealand Bank. Midland has some shares in Standard Chartered. National Westminster Bank conducts its foreign businesses through the parent bank and International Westminster Bank.

Probably a recent feature in the industry is an increasing competition not only within the clearing banks, but between the clearing banks and other deposit taking institutions such as National Girobank and building societies. The former was launched in 1968, which had an immediate effect upon the clearing banks cash transmission mechanism, but its services to businesses are still limited. Building societies, which



generally borrow on a rather short-run basis and lend for house mortgages, also have been allowed to expand their sphere of services, which range from cheque accounts to unsecured loans for purposes other than house purchase. Towards the end of the 1970s, total deposits with building societies had surpassed those with the clearing banks.<sup>15</sup>

Most of the banks now have developed divisions according to the function each of which performs, which are co-ordinated by the general management. Divisions in a major clearing bank consist of domestic banking, international banking, related banking services, management services, financial control, personnel, or premises divisions etc, some of which can be joined directly through entry schemes. Domestic banking division, for instance, controls a branch network which is supported by management services division, and has regional and divisional offices above it. Related banking services division deals with taxation, investment, share dealing or insurance. Although actual allocation of human resources differs from bank to bank, nearly 75 per cent of the staff in a major clearing bank were allocated on a regional basis.<sup>16</sup>

Positions in enterprises are commonly graded into a hierarchical order according to the requirements of the jobs. There are clerical or 'unappointed' staff, who constitute some 90 per cent of the total staff ( A bank in 1989 ), above which there are the employees who hold jobs with a formal status.<sup>17</sup> They are called 'appointed' staff who are often subdivided into two levels; General Managers' Appointed Staff and Board

Appointed Staff. Clerical jobs are systematically graded into four to six levels. Each grade has a substantial list of jobs, but a benchmark and some other job titles in another bank are as follows.

Grade I    Machinist ( Ledger Operator, Remittance Clerk )

Grade II   Cashier ( Statement Clerk, Control Clerk )

Grade III Junior/Trainee Securities ( Manager's Secretary )

Grade IV   Sole/No.1 Security Clerk ( Chief Cashier )

Although the benchmark job title of Grade II is Cashier, it may be classified into Grade III or Grade IV in some cases as the responsibility of this job varies much.<sup>18</sup> The first two grades often account for over half the total employees.

These grades, according to which maxima conditions of employment are set, are classified in terms of such factors as the duration of the employment and skill requirements. This is commonly measured by job evaluation systems, many of which have been operational since the 1970s. One system works as follows. All jobs of unappointed staff are evaluated according to six factors; experience, complexity, judgement and initiative, supervision of staff, responsibility for avoiding loss to the bank, and personal contacts. The first item, for instance, experience, is classified from 3 months to 3 years, according to which certain points are allocated. The position of a job in grades is then determined according to the total points.

Managerial jobs have similar a kind of job evaluation system. Lloyds Bank, for instance, has the so-called Profile Method for the evaluation of the jobs of Board Appointment Holders.<sup>19</sup> Twelve job characteristics, which include level of authority and influence, effect of performance on the bank, involvement in day-to-day personnel activities, overall responsibility for personnel resources, recognition and comprehension are identified. Each has a set of level guidelines according to which certain points are allocated. Jobs under the points total 158 are classified as Grade 1B and 420 points and above are Grade 6.

The system is occasionally subject to re-evaluation. This happens not only as requirements of the jobs gradually change over time, but because of some other external factors including, in a recent case, the requirement of equal pay legislation. One such example is a proposition by Lloyds to adopt the HAY system, which is fairly widely used in British industry and particularly in the finance sector. Concern of staff, and the unions, about such a system is its 'fairness' than anything else.

Recruitment of the employees is generally carried out in terms of a tier system in order to reflect different types of jobs that the enterprises offer.<sup>20</sup> This partly reflects the market segments, although the problem of sexual and racial equality adds another aspect to it. Generally, a two-tier system with or without another option seems to be common. Human



**Table 3.2.1 Proportion of Female Staff**

	NAT WEST	LLOYDS	MIDLAND
1974			
Grade 1	75.2%	78.5	75.5
2	72.3	74.3	75.1
3	43.8	50.7	44.4
4	12.2	30.9	17.7
Above 4	28.6	5.0	18.4
1979			
Grade 1	72.9	73.3	73.1
2	75.4	76.2	78.3
3	51.0	55.9	53.3
4	20.0	32.9	24.2
Above 4	4.3	4.7	8.0

Sources: Egan, A. 1982. 'Women in Banking: A Study in Inequality' Industrial Relations Journal, vol.13, No.3, 20-31.  
Bifu Report, September 1981.

capital, particularly education, often functions as a screening device and 'A' level or graduate applicants are often eligible



to apply for a career course with adequate management development programmes. This is sometimes called 'advanced' entry in Barclays or 'accelerated' in National Westminster and may allow a candidate to start from Grade II of the hierarchical structure. Moving around the regions, they acquire experience that is indispensable in branch work specifically and banking as a career generally, and take up jobs in the upper tier in a relatively short period of time.

Through 'standard' or 'general' entry with certain requirements of 'O' levels, employees who generally fill the lower tier of markets are recruited. The recruitment usually takes place at the regional level and applicants are not expected to be mobile automatically, from which some area differences of the general traits of the employees derive. Generally, more female entrants apply for the latter type of jobs and around 60 per cent of the second entry are estimated to be female.<sup>21</sup> This tendency is rather accelerated by the higher turnover rates of female staff ( 10 to 20 per cent in comparison with 4 to 9 per cent of male ) and discrimination. Many banks started reviewing the situation following the Sex Discrimination Acts, 1975 and 1986, and the Race Relations Act 1976.

Recent figures on female employees in different grades are shown in Table 3.2.1. It can be seen that male employees who are classified into Grade 1 are generally less than 30 per cent and this figure is even less in Grade 2. As a certain proportion of male employees in Grade 2 are naturally within

the management development programmes, most of the labour force in the grade who have no career prospects are female, many of whom work in banks before their marriage. Hence, despite the alleged recent changes and progress in female labour market participation, gender still seems to represent segmentation. It has also been argued that an increasing proportion of female employment basically derives from changing patterns of skill requirements, which has particularly reflected the advent of office automation that degraded the general task into subdivided routine procedure.

#### Developments of Internal Markets

Let us overview the processes through which the present system of internal markets emerged. As has just been mentioned, it was the Amalgamation Movement which brought about a rapid expansion of the scale of the enterprises. Lloyds Bank, for example, employed only 1,700 male staff ( exclusive of managers ) in 1900. This had increased to over 10,000 within less than 30 years. Despite this expansion, there were few systematic attempts to develop modern methods of labour management. There was no comprehensive training scheme available for the staff, apart from the on the job training. Recruitment of clerical staff was almost entirely depended upon recommendation within the bank or by influential customers, reminiscent of the old

labour aristocrats. A later example in the Midland Bank suggests that, in the buyers' labour market, the bank had a long waiting list of such recommended applicants, although they were further selected by written competition.<sup>22</sup>

In 1918, although most branches had a typewriter, all the book-keeping was done by hand and accounts kept in ledgers, with the copies for the customers written in pass books.<sup>23</sup> There were already a certain number of female clerks, who typically engaged in typing or filing and who sometimes symbolically referred to as 'female' in staff records just beneath the list of their male colleagues who were mentioned by the position in the bank and by name.

Early mechanisation began towards the end of the 1920s with the introduction of a mechanical book-keeping system, whose process continued up until the 1950s. The ledger posting machine also had particular effects upon the labour process of routine branch work. It was generally considered that two machines enabled the banks to replace two male clerks with one unskilled female operator, although this rule was not fully applicable to smaller branches with less than ten employees, which required only one machine that released one male clerk.<sup>24</sup> Banks' investment in mechanisation was reported to be particularly intensive around 1930.<sup>25</sup>

Accordingly, female employees increased continuously.<sup>26</sup> They were often employed permanently to posts that the 'men tire of the machine operating more quickly than the women'.



Table 3.2.2 Turn Over Rates ( Lloyds Bank )

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	1938	1949	1959	1969
MEN	-	6.1	4.6	10.9
WOMEN	8.8	21.4	18.4	28.0

---

Source : Bank record.

Note : Calculated as (number of staff in the beginning of a year)/(those who left in the year)\*100.

Despite a slight chance of promotion to a secretarial post, they were often called upon to retire earlier or had to leave the job because of a marriage bar imposed at that time.<sup>27</sup> The proportion of female labour was still small at this time, with around 2,000 females out of 13,000 in the Midland and 1,388 out of 12,334 in Lloyds.<sup>28</sup> This indicates the existence of the dual structure with a much smaller secondary sector in the early years. As shown in Table 3.2.2., the turnover rates of female staff had been necessarily high, although not as high as it has been in more recent years. The rate of 21.4 per cent in 1949 probably reflects an effect of the war, as those who were in the services were returning. This year being excluded, a



general trend of an increasing turnover rate by 1 to 3 per cent emerges.

There do not seem to have been uniformly applicable grading schemes in operation in the clearing banks prior to the 1920s, although the necessity of 'scientific grading' had sometimes been suggested in early documents of the Bank Officers Guild so that the 'aspiring bank clerk has some definite and comparatively near position to aim for'.<sup>29</sup> In Lloyds Bank, men recruited prior to 1929, many of whom at the age of 17, were on one of the three scales according to the place where they worked, namely London, large towns and small towns, each of which had a certain scale ceiling.<sup>30</sup>

It was in the 1930s that banks laid the foundations of the contemporary systems of labour management. The structural reason for this was a rapid expansion of the enterprises and the immediate reason of this was the Great Depression, although some banks' attempts, such as those in the Westminster and the Midland, seem to have preceded this. Although, unlike the steel, textile and shipbuilding industries, banking was somewhat removed from the economic catastrophe, banks did experience a contraction in lending and a decrease in profits at the beginning of the 1930s.<sup>31</sup> Facing the need to cut costs, Lloyds, for example, launched the organisation committee, which reported on staff grading, staff training, recruitment of graduates and managers' salaries. The argument of radical economists, who insisted that the development of an hierarchical structure in large scale organisations is a new,

growing type of system of control, seems to have some grounds here, as the memoranda of the Committee recommending the change,

"for the better training of the staff, in the best interests of discipline and economy and for the selection and promotion of our best men, it is necessary to institute clearly defined divisions - other than those of salary only - to mark and check the progress of the members of the staff."<sup>32</sup>

The grading scheme for male staff was introduced in 1930. The scheme had four grades from A to D. Grade A incorporated those staff who are 'probationers, temporary, supplementary and female clerks and all others not on the permanent staff of the bank'. It was claimed that if the bank is to obtain the full advantages of the possible savings, this must be done in this grade particularly in relation to female clerks, as a 'growing proportion of the merely clerical work of the larger offices will be carried out through the increasing use of mechanical appliances'.<sup>33</sup>

Grade B included junior clerks on a permanent basis who were expected to pass the Preliminary Examination of the Institute of Bankers. Promotion to the next grade depended on individual merit and suitability. Grade C comprised clerks of five years' service or over with a general requirement of the Final Examination of the Institute of Bankers. Senior clerks in large branches, heads of departments, sub-managers and managers were

chosen from Grade D.<sup>34</sup> A new method of marking the performance of staff also came into effect in 1931, in which every member of staff was assessed in terms of manners, appearance, general intelligence, technical knowledge, punctuality, handwriting, business acquisition, ambition and general conduct.<sup>35</sup>

The principal merits of the grading scheme for the bank were threefold. It not only automatically eliminated unsatisfactory probationers at an early stage, but enabled the bank to retain staff who did not work permanently within Grade A, whose salaries were proportionate to the duties involved. This resulted in a considerable saving, as much of the augmenting simple clerical work was to be carried out by young female employees. Secondly, the grading scheme provided the employees with a systematic on-the-job-training, through which they acquired a fairly comprehensible training in general accountancy work, that started with work concerning day books, waste books, pass books, postal matters, letter filing through ledger training to security work, stock and share transactions, and foreign exchange operation. Formalised training was also launched later in the 1930s. Finally, it did intensify the 'healthy competition' amongst the employees, thus facilitating their voluntary integration into the organisation in a different fashion from before. One thing that should be noted in conjunction with the Marxian argument, however, is that the development of the dual structure itself preceded this rather intentional re-organisation.



An employee, remembering the inspection in the 1920s, described the shifts in supervision as follows.

" We used to start looking for inspectors after about 12/15 months. . . . I think with the years the inspections probably have tended to get more spaced out. One feels inspections were a little more frequent in the 1920s than in the 1950s. [ I ] expect the attitude of mind of the staff on the one side and the inspectors on the other has completely changed, I mean in days gone by you were absolutely in fear and trembling. The whole thing was a traumatic experience in the extreme. You almost got frightened to put your pen down in case they accused you of not getting on with the work."<sup>36</sup>

Such a statement may be but a subjective impression. But it is not difficult to imagine that that change in the management - staff relationship, even if it was not the 'complete change in personal relationships', which has always been quoted by sociologists as a reason for the development of white-collar trade unionism was under way.

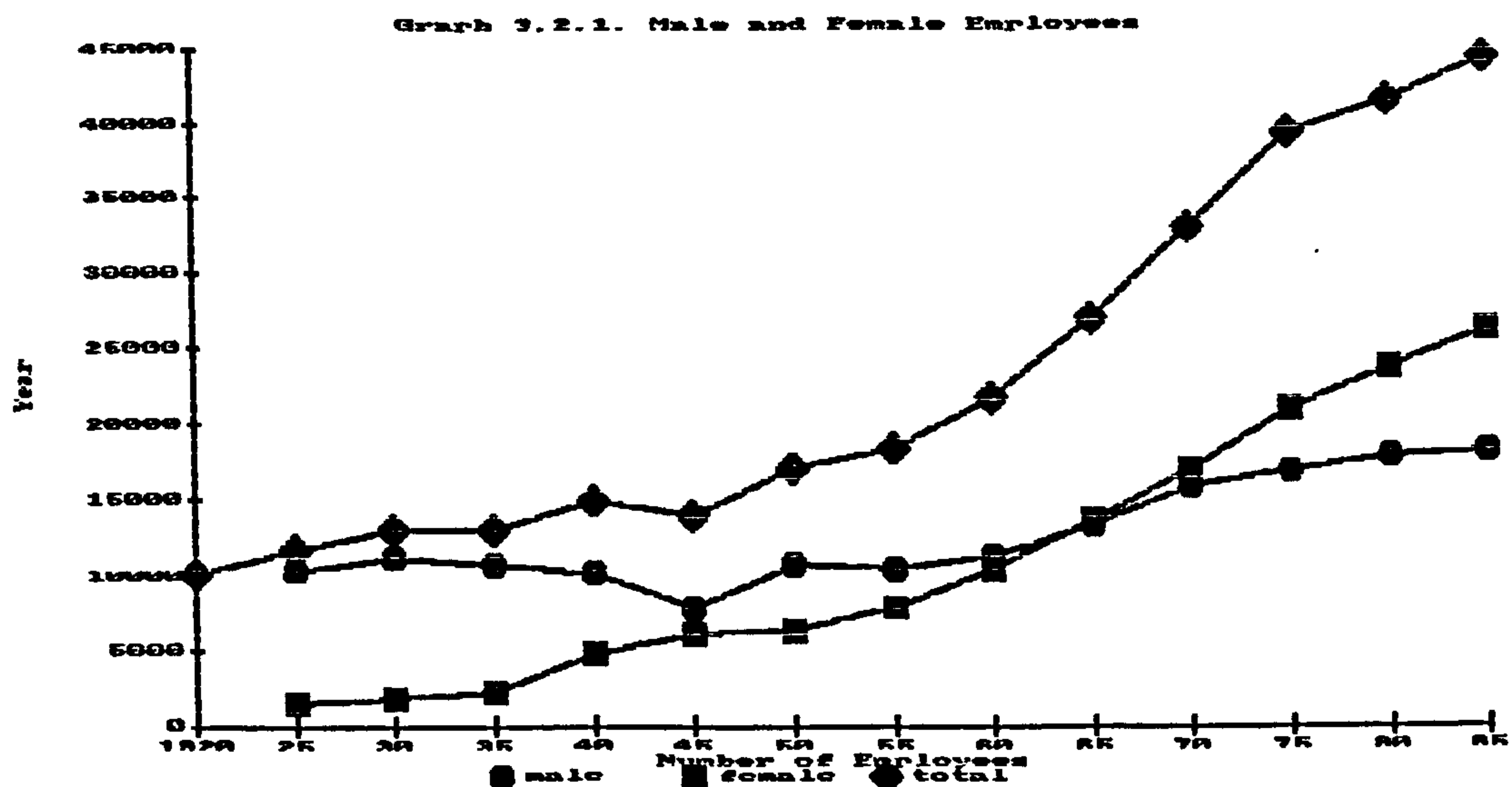
This system of labour management lasted for well over four decades without fundamental changes. Salary scales in the 1950s or 1960s in Lloyds, for instance, show that at least three grades were operational for male permanent staff whereas virtually all female staff were allocated under a single scale, indicating an existence of a distinct market segment. Salary



scale for the female was often slightly unfavourable than that for the male just after the entrance into the labour market ( 215 for the female of 17 years old in comparison with 240 for the male counterpart in 1955 ). But the difference progressively increased as time passed and a woman of 30 years old received only 500 whereas male staff of the same age received 710 in the first grade and 780 in the second. 37

Nevertheless, composition of the labour force has changed substantially. An increase in the female labour force is shown in Graph 3.2.1. This is an institutional example, but the trend in the clearing banks may be supposed to have followed a similar path. The outbreak of the Second World War had a significant impact upon the labour market participation of women, but the effect of the event upon the structural change was temporally in nature and as the war ended, their employment level was pushed back onto the trend line. By the end of the 1960s the number of female employees who worked in the major clearing banks exceeded that of men.

One cause which led to an increase in female employment and the expansion of the secondary sector was mechanisation, which consistently increased the existing division of labour and degraded the skill requirements of certain clerical jobs. Thus, the reorganisation mentioned above was in a sense to give the dual structure a formal institutional basis. Another cause was the opening up of certain 'jobs for the male' to female staff, which may have or may have not accompanied the process of



degradation of work. Cashier, for instance, predominantly a men's job, was taken over by women. The post of Security Clerk has also gradually been opened to women.

Mechanisation has been carried out with some successive stages and this is generally under the constraint of technical development. The first stage saw the introduction of book-keeping and ledger posting machines. This was then followed by an introduction of certain mechanical and electronic apparatus such as accounting machines and cheque sorting machines in the 1950s and 1960s. Electronic accounting machines, which Lloyds started to introduce at branches in 1961 and 62, were then withdrawn by the end of 1970 as computers took their place.<sup>38</sup>

The attempts to automate the data processing process, particularly cheque clearing, started in the mid 1950s when an electronics sub-committee of the Committee of the London Clearing Bankers was set up to assess the relative merits of different types of coding systems. The sub-committee's decision in 1961 actually followed the Lloyds' introduction of a standard American cheque sorting machine, which was first used to automate the clearing processes and computerising customers' accounts. The cheque sorting machines 'have taken the place of hundred of girls who flipped through the cheques by hand each morning' and was roughly estimated to have saved some 600 jobs in each of the Big Five.<sup>39</sup> The advent of microtechnology has been particularly prominent since the end of the 1960s.<sup>40</sup> What is now known as BACS was launched in 1969, which changed the process of money transmission from paper to tape, and then to telecommunication link. This was followed by CHAPS that enabled electronic fund transfers of 10,000 and over. At the branch network level, the introduction of automatic teller machines and counter terminals have been two of the most significant.

Many sociologists still seem to disagree with the assessment of the effects of micro technology upon the occupational structure. Despite this, it seems to be often assumed that, although it created a certain number of skilled specialists who deal with the software side, the 'potential effect of technologically induced deskilling on the male career structure has been, up to now, significantly reduced by the presence of women who are largely excluded from promotion'.<sup>41</sup>



A systematic reconsideration of this structure has been carried out by some banks since the 1970s. The prime incentives were legislative, namely the Equal Pay Act of 1970, the Sex Discrimination Act and the Employment Protection Act of 1975, although the effect of the latter two upon bank organisations were often considered to be fairly limited.<sup>42</sup> A systematic change occurred in the way jobs in the secondary sector are filled. Sex distinction does not serve as a principal means of segregation and it has come to be considered as a purely voluntary one, although, as has been seen in the previous section, the institutional change naturally did not shift the customary pattern amongst employees in a day.

### 3. The Industrial Relations System in Banking

The industrial relations system is a relationship between employees and their organizations, employers and their organizations and the state and its agencies, through which certain rules that regulate workplaces are formed. Such rules are often classified into two broad categories; substantive rules which regulate terms and conditions of employment, and procedural rules which establish methods and procedures for reaching substantive agreements and resolving disputes over them.<sup>43</sup> When terms and conditions are determined through joint regulation of employees' and employers' organizations, such a



process is commonly called as collective bargaining, the term derives from the Webbs.

In this section, the current situation of the industrial relations system and the patterns of collective bargaining in the banking industry will be explained, which supplements the major historical study in the subsequent chapters. It covers an overview of the trade unions and staff unions in the industry, the collective bargaining arrangements in some banks, some aspects of trade union organisation such as structure and industrial action, and the function of the state. In the last part, patterns of unionisation not dealt with in the later analysis will be mentioned.

## Outline

The system of industrial relations in the banking industry has shown at least two prominent features; divided staff representation and recent 'institutionalisation' or 'decentralisation' of collective bargaining. The former is a historical division of staff representation between a national industrial union and house unions and staff associations in the major English clearing banks. The latter is a recent breakdown of joint machineries at both national and domestic levels, which somewhat reflects a general tendency in the British industrial relations system as a whole. Two national industrial

unions, Bifu and M.S.F., and house unions and associations have been present in the industry.

a. The Banking, Insurance and Finance Union: Bifu was originally launched as the Bank Officers' Guild in 1918 in the turmoil of the First World War and the amalgamation movement in the industry. It amalgamated with its declining counterpart in Scotland, the Scottish Bankers Association in 1946 to form the National Union of Bank Employees. Then, following a diversification policy in the 1970s, it changed its name to Bifu in 1979, covering employees in all grades in banks, finance houses, credit card companies, building societies and insurance companies. Bifu now has approximately 170,481 members ( December 1989 ), among whom about 150,000, or 88 per cent, work in banking including technical staff and about 80,000, or some 47 per cent in the English clearing banks. It has been affiliated to the T.U.C. since 1940 save for a short period between 1973 and 75, when it was expelled for registering under the Industrial Relations Act, 1971 in defiance of T.U.C. policy.

b. The Manufacturing Science and Finance Union ( M.S.F.): A.S.T.M.S. gained some membership in the Midland Bank and its subsidiary, the Clydesdale Bank, by absorbing their staff associations in the beginning of the 1970s when N.U.B.E was excluded from the T.U.C. However, probably partly because of its more radical image, and partly because it stood aloof from

the then operative national negotiations, its membership stagnated and it was subsequently 'de-recognised' by Midland Bank in May 1989.

c. Staff Associations and Staff Unions: The first annual report of the Certification Officer depicted the features of staff associations as,

"Organisations, usually of white-collar workers, not affiliated to the T.U.C. whose membership is confined to the employees of a single employer ( or associated employers ) in sectors other than central and local government and the nationalised industries."<sup>44</sup>

Generally, such a description still holds, although certain features may be subject to changes. Some of the most influential organisations do not even retain the name of 'association' any more, as they gradually changed their character. As this happens, the only remaining major difference from the industrial unions is that they confine their membership in a single company or a company group.

Such house associations and unions can be found in various industries. For instance, there were 14 associations in insurance, 12 in food/drink/tobacco, 11 in building societies as well as construction/retail/services, 9 in banking as well as aerospace, engineering and allied industries in 1979, when the total number of such associations was 88.<sup>45</sup> However, by



far the largest staff associations are found in the banking industry and it is these organisations which are covered in this research; Barclays Group Staff Union ( Membership in December 1988, 51,317 ), NatWest Staff Association ( 39,518 ) and Lloyds Bank Group Staff Union ( 27,770 ). They now hold approximately 118,600 employees, or a nominal density of 51 per cent, in the three banks. The size of other staff associations were reported to be very modest with average membership of some 85 organisations around 1,150 at the time of the survey by the Certification Office.<sup>46</sup>

Most of the staff associations in the banking industry were established between 1918 and 1921, as a managerial reaction against the launch of the Guild. These include the ones in Lloyds, Westminster, National Provincial, Midland, Union Bank of Scotland, Barclays and Martins. There also existed associations in other banks, many of which were rather short-lived;

	est.	dis.
Yorkshire Bank S.A.	1926	1968
District Bank S.A.	1940	1969
Williams & Glyn's Bank S.A.	1940	1973
Royal Bank of Scotland S.A.	1945	1975
Coutts & Co. S.A.	1950	1977
Bank of England S.O.	1973	1987

The staff associations in Yorkshire, Royal bank of Scotland and Bank of England transferred engagements to Bifu. Williams &



Glyns' S.A. dissolved as N.U.B.E. gained sole bargaining rights in the bank, and Martins Bank Staff Association joined Barclays Bank Staff Association in December 1969 following the parent banks' merger. Similarly, the National Provincial Bank Staff Association, National Provincial Ladies Guild, Westminster Bank Guild and the District Bank Staff Association merged to form the National Westminster Staff Association in September 1969. Small Coutts Staff Association joined National Westminster Staff Association in 1977. Staff associations in Barclays, National Westminster and Lloyds formed a federation, C.B.U, from August 1980 till April 1988 for the purpose of national negotiation with the Employers' Federation.

The Original aims of these associations were, in the term of Fox, 'unitary', or a belief in the harmony between the employers' objectives and those of employees, rather than the 'pluralistic' or the 'radical' views.<sup>47</sup> However, significant changes in their character have been observed after the Second World War, and the Cameron report published towards the end of 1963 concluded that,

"the Staff Associations are in a position where domination could be exercised by the employers, there could be found no evidence where such potential domination was actually executed."<sup>48</sup>

All three associations hold a certificate of independence under the Employment Protection Act, 1975.

The industrial relations system and collective bargaining arrangements in the banking industry may be classified into the following sectors; Bank of England, clearing banks, foreign and overseas banks and merchant banks.<sup>49</sup> The second category is subdivided into the 'big four', other High Street banks and the T.S.B., and Scottish banks.

a. The Bank of England: Some 5,186 staff were employed in the Bank of England in December 1989, including those in printing work.<sup>50</sup> The Bank of England Staff Organization was set up in 1973, which transferred engagement to Bifu in 1987. The Bank of England Section of Bifu now has well over 3,000 members, representing all classes of employees except print workers and senior managers. Since the estimated proportion of the print workers is around 25 per cent, Bifu organizes roughly 90 per cent. Assuming that Bifu's membership figures include about 15 per cent of pensioner members, the approximate real density is a little under 80 per cent. This figure may be slightly underestimated, as a number of senior managers are not controlled. The collective bargaining arrangements cover salaries, overtime, holiday entitlement and other terms and conditions of employment. They also have provision for conciliation and compulsory arbitration.

b. The 'Big Four': Barclays, National Westminster, Lloyds and Midland Banks employed some 282,400 staff in December 1989 including part-time employees. Most of the staff are either

'clerical' or 'managerial', but it also includes technical and services staff who constitute a few per cent of the total employees. All the negotiations are currently carried out domestically. In the largest three clearing banks, namely Barclays, National Westminster and Lloyds, such negotiations are carried out both by a national industrial union, Bifu, and a staff association and staff unions, namely B.G.S.U., N.W.S.A. and L.B.G.S.U. separately, both of which have similar procedural agreements. In the Midland Bank, Bifu has sole negotiating rights, as another T.U.C. affiliated union, M.S.F. was de-recognised by the Bank in May 1989.

Bifu has a nominal density of 16 to 26 per cent in the largest three banks, or approximately 21 per cent on an average ( Dec.1989 ). It has steadily increased its membership in Midland and now organises over 50 per cent. Pensioner members being assumed to be 15 per cent and controlled together with technical and services staff, the figures become between 14 and 24 per cent in the three banks and a little less than 50 per cent in Midland Bank. These figures may be slightly overestimated, as possible dual membership of Bifu and SA/SU is not controlled. Generally, staff association and staff unions have been performing better in the three banks, and their nominal density is; B.G.S.U. 43 per cent, N.W.S.A. 47 per cent and L.B.G.S.U. 45 per cent. Approximate pensioner members being subtracted, these density figures become 36, 40 and 39 per cent respectively. Total union density varies from around 45 per



cent in Midland to a little over 60 per cent in the most organised banks.

The procedural agreements in each institution generally covers salaries, territorial allowances, overtime, working hours, holiday entitlement and job evaluation scheme, although there are some differences in terms of the range of the work force covered by the agreements as well as negotiability of some basic items like pensions.<sup>51</sup> Employers have refused to enter a compulsory arbitration agreement under the divided staff representation, which was once operative in the sector. The current arbitration agreement is the so-called veto system, in which before one staff body can go to arbitration the other must have indicated its acceptance of the outcome.

Historically speaking, the organisational structure of the associations were transformed from largely automatic bodies for liaison into voluntary trade unions to suit the war-time regulation in 1940. They were recognized by management and carried out negotiations in these days, except in Barclays where B.O.G. was recognised in 1941. A marked development occurred in 1968 when N.U.B.E. succeeded in setting up the Joint Negotiating Council for Banking, thus gaining national recognition, after which it secured domestic procedural agreements in the respective banks. The Federation of London Clearing Bank Employers was established in the same year for the purpose of national negotiation and the Central Council of Bank Staff Associations was reorganized as a negotiating body. The J.N.C. was then composed of the employers side ( 6 bank



directors or officers of GM level or above ) and the joint staff side ( 3 each from the C.B.S.A. and N.U.B.E. ). National non-clerical negotiating machinery was also established in June 1970.

Recent changes in the industrial relations system in the clearing banks may be characterised as 'institutionalisation' or 'decentralisation' which started with N.U.B.E.'s withdrawal from all joint machineries for clerical and managerial staff both at national and domestic levels. National negotiation was resumed in 1980 separately between the Federation and Bifu, and the Federation and the newly formed Clearing Bank Union which was composed by Barclays Group Staff Union, NatWest Staff Association and Lloyds bank Group Staff Union. However, national negotiations also halted in July 1987 when the National Westminster Bank withdrew from the Federation, which was immediately followed by the remaining two banks. The break-up of the Federation was then followed by a winding-up of the C.B.U. in April 1988.

This process of decentralisation of pay determination reflects a general trend in British industry in the 1980s. Behind it was the employers' preference for a flexible pay structure reflecting performance. Of the 346 respondent companies to a C.B.I. survey, about one quarter replied that their bargaining arrangements had been decentralised between 1981 and 1986, although 59 per cent had made no change.<sup>52</sup> This, at least partly, seems to reflect Conservative economic

policy at the time to make the British economy more competitive.

c. Other High Street Banks and the T.S.B.: The Trustee Savings Banks have become the most important amongst other High Street banks as they developed from small local savings banks into four large regional banks with a wide range of services. T.S.B. now employ about 25,100 staff and they are covered by a voluntary agency shop agreement signed with Bifu in 1972 together with the Co-operative and Yorkshire Banks. Coutts Staff Association merged with N.W.S.A. in October 1977, although Bifu also has a nominal density of around 5 per cent.

d. Scottish Banks: Three major Scottish banks, the Royal Bank of Scotland, Bank of Scotland and Clydesdale Bank employ approximately 40,100 staff ( Dec.1989 ). The Royal Bank of Scotland is the fifth largest High Street bank, and its absorption of its subsidiary, Williams & Glyn's in 1985 brought it a large branch network in both Scotland and England. Other banks in Scotland have relatively few employees and have no significant collective bargaining. As in the English clearing banks, all the negotiations are currently carried out domestically.

Bifu has the sole negotiating rights in the Royal Bank of Scotland and Bank of Scotland. Clydesdale Bank recognises both Bifu and M.S.F.. Bifu has considerably higher density in the largest two Scottish banks than their English counterparts, as

their respective staff associations merged into Bifu. It now organises approximately 45 to 75 per cent in these banks. The average nominal density in December 1989 was 63.3 per cent, or 55.3 per cent if pensioners and technical and services staff being controlled.

Historically, national machinery in Scotland, the Joint Negotiating Council of the Scottish Banking Industry, was established in 1970, which was then composed of the Federation of Scottish Bank Employers, staff associations and N.U.B.E. The national non-clerical machinery followed this in 1971. The Bank of Scotland Staff Association and the Royal Bank of Scotland Staff Association transferred engagement to N.U.B.E. in 1973 and 1974 respectively. The machinery ceased to function, as the Federation, which was against the unilateral arbitration clause in the procedural agreement, withdrew in 1983. The Federation dissolved as Clydesdale Bank withdrew from it in 1986, thus halting all national negotiations.

e. Foreign and Overseas Banks: There are over 400 foreign banks that have branches in the UK, the largest being American banks, and they employ approximately 40,000 employees together with British overseas banks. The major union in the sector is Bifu, which has sole negotiating rights in some 20 foreign banks and 4 overseas banks. It also has substantial membership in Standard Chartered Bank, where its nominal density is 58 per cent ( Dec.1989 ). M.S.F. also has some membership in the



sector and there are several staff associations. Procedural agreements generally covers salaries, hours and overtime.

f. Merchant Banks: Historically, there has been little collective bargaining in merchant banks and Bifu has only negligible membership in the accepting houses. However, recent moves by large banks to establish subsidiary merchant banks caused serious disputes between managements and the unions, as some of the transferred staff were union members. These new merchant banks, including Barclays de Zoette Wedd, National Westminster Investment Bank, and Lloyds Merchant Bank have been maintaining this long-established practice of merchant banks not conducting negotiations through trade unions. However, a breakthrough may occur some time as Midland Montagu, an investment banking division of Midland Bank, had already suggested its intention to grant union recognition in 1987, provided that 30 per cent of its 2,100 staff joined.

#### Union Organisation: Structure

Students of trade union organisations often observe both devolutionary shifts and a tendency of centralisation, making a meaningful generalisation difficult. Some of the large unions like T.G.W.U., G.M.W.U. and N.U.P.E. are thought to fall into the first category whereas E.E.T.P.U. and A.U.E.W.-E. represent



latter.<sup>53</sup> Bifu, where executives have coped with the increasingly diversified and complicated organisation by creating relatively autonomous sections may fall into the first category. When it set up its English Clearing Bank Section in July 1980, it was already the fourth section to be created. The Section Council then consisted of members from the constituent institutional committees and officials from the respective banks, and had a reasonable autonomy vis-a-vis the Executive Committee, with basic functions of co-ordinating the negotiations in the respective banks as well as negotiations with the Federation.<sup>54</sup>

Although 'sectionalisation' of the union organisation and the increasingly significant function of such units were essentially an adjustment of the union to the changing patterns of its membership and to enable it to carry out effective collective bargaining, it also inevitably brought about a problem of re-constitution of the organisation. The National Executive Committee, the governing body of the union with sub-committees under it, had been elected almost exclusively by Area/Regional Councils, only with some exceptions given temporarily to, for example, newly transferred organisations. The amended current constitution and rules carefully maintain the integration of the organisation by allowing any section to elect section membership of the committee if it has had no member elected from the areas.<sup>55</sup>

A more realistic problem for Bifu executives is, however, an alleged inferior function and the inability of the organisation

to absorb grass-roots demand and reflecting it. in union policies especially in comparison with the much smaller staff associations and staff unions, most of which have a more straightforward structure of staff representation consisting of office representatives of area or sectional committee, general council and executive committee. With its well over 150,000 members widely spread in the banking, insurance and finance sector, even its some 20 regional organisers could have been insufficient for effective communication. This may have been particularly so as many of the 30 members of the Executive Committee might not have been involved in particular institutional problems directly. The existence of seconded officials and office representatives, who may have paid time off from work to deal with grievances of the members and local problems, is claimed to have eased such shortcomings particularly in the 1970s. It is rather ironical that it was in this decade when N.U.B.E. suffered a severe defeat in the major London clearing banks.<sup>56</sup>

Financial independence is another important aspect of union organisation, as a lack of it may easily produce employers' interference. All the unions and associations considered here are 'independent' in this sense, and their income basically derives from membership subscription, although there are some differences in its source. Bifu's financial statements indicate that 94 per cent of its income comes from subscriptions in 1989, followed by rent, service charges and interest, whereas in B.G.S.U. about the same proportion derives from membership

subscription and the commission of its mutual trading scheme with external companies, particularly insurance services to its members, which is followed by a more modest gain from interest.<sup>57</sup> This tendency away from subscription is less prominent in other staff associations and staff unions, and their proportion in N.W.S.A. is approximately 80 to 11, with most of the latter deriving from its NatWest Insurance.

Exploitation of other sources of income enabled some unions to reduce subscriptions, consequently reducing the cost and enhancing the benefits gained from membership. Empirical findings do suggest that such factors as political attitudes and ideology may affect the overall pattern of union growth. Nevertheless, given the widely acknowledged non-ideological, instrumental commitment to trade unions on the side of non-manual employees, this may affect both the short-run as well as the long-term growth patterns of organisations particularly in a competitive situation. Monthly subscription of major unions and associations in January 1990 was as follows.

#### BIFU

25 and Over	4.20
Under 25	3.60
Part-time	2.50
Pensioners	0.33

#### B.G.S.U.

Appointed	2.98
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Unappointed	1.49
Part-time (16hrs+)	1.12
(16hrs-)	0.75
Pensioners	0.37

#### N.W.S.A.

Managerial	4.10
Other Appointed	3.25
Unappointed	2.50
Part-time	1.25
Pensioners	0.25

#### L.B.G.S.U.

Board Appointment Holders	5.05
Appointed	4.25
22 and Over	3.40
Under 21	2.80
Non-clerical	2.80
Part-time	2.00
Pensioners	0.85
YTS	Free

Comparison of these figures with those in 1975 suggests that, although the difference between Bifu and SA has narrowed by, say, 30 per cent, a Bifu member may pay three times as much as a B.G.S.U. member in some cases.<sup>58</sup>



Historically, membership eligibility was restricted within the clerical staff. Consequently, apart from staff associations, small messengers' organisations were established in many large banks. Even in Bifu, manual staff were allowed to join the union only in 1941, one year after its affiliation to the T.U.C., although its 'Technical and Services Section' had around 5,600 members, or about 3 per cent of total membership. Transfers of technical and services associations into principal staff associations and staff unions are rather recent phenomena, and it was in 1977 when the Technical and Services Union of National Westminster Bank, for instance, transferred to National Westminster Staff Association. A notable exception is that of Lloyds' Technical and Services Union, which transferred to Bifu.

#### Union Organisation: Policies and Industrial Actions

Some distinct features of white-collar unionism may be seen in some of the activities of the unions in the industry. The policy of 'individual representation' which is actively promoted by B.G.S.U. in conjunction with collective representation, for example, may be one of such features, as individual bargaining vis-a-vis collective bargaining has long been the particular concern of the employees in the primary

sector of labour markets. This includes managements of grievances of individual staff in relation to, say, salary and promotion.

Various types of supplementary services including insurance services and travel schemes, reminiscent of old craft unionism, may also be a rather recent development. These are usually provided exclusively to union members by external insurance companies, unions taking commission from them. This type of service has been most actively promoted by B.G.S.U., which now has extensive household, accident and motor insurance schemes. As mentioned earlier, the significance of such projects is twofold; it directly increases the benefits that members get from union services, possibly reducing the cost incurred at the same time. This also avoids the 'free-rider' problem as the service is strictly confined within membership.

In fact, such schemes seem to have been fairly popular, and it was reported that around 40 to 50 per cent of the B.G.S.U. members used the scheme, although this proportion is much lower in N.W.S.A. and L.B.G.S.U.<sup>59</sup> Bifu has also had similar scheme, but it seems to be only towards the end of the 1980s when it launched a fully comparable scheme to that of B.G.S.U.

Some white-collar unions started in the beginning of the century from nil, and then they had to build up their organisations, gradually increasing their density. It is only after this that they acquire the material basis to transform their character gradually into a more assertive form. At least, this is what some sociologists including Blackburn have argued,

and despite a lack of good theoretical grounds of such a phenomenon, it roughly matches the experiences of the trade unions and staff associations in the industry. As is well known, some of these sociologists at Cambridge also elaborated a measure of union character, or a 'level of commitment to the general principle of trade unionism'. It is unfortunate that their formulation is basically for the purpose of cross-sectional sociological survey and its applicability to historical time-series analysis is very limited.

Quite apart from the problem of accurate measurement of such a process, Bifu's history does show a long-term shift with increasing 'unionateness', although it may not necessarily follow a linear pattern. Being established as the Bank Officers' Guild in 1918, it immediately registered as a trade union. It was in 1940 when it affiliated to the T.U.C., although it persisted in its 'non-party political' stance. Throughout the 1940s and the 1950s, it was recognised by only two major banks, Barclays (1941) and the T.S.B. ( 1947 ), and it was in the latter that it underwent its first industrial action in 1963, after which an able general secretary, Brooks, declared that it had at last become a fully functional trade union.

An extremely successful national strike in 1967 brought about full recognition in the London clearing banks and the establishment of national machinery, the Joint Negotiating Council. The 1970s saw relatively few industrial actions with a notable exception of the one at the Co-operative Bank in 1974



over the pension scheme, but this seems partly to reflect the function of the machinery with a compulsory arbitration agreement, as well as stagnation in the economy as a whole. The breakdown of the machinery in 1978 may have increased recourse to industrial action. These include, an industrial action of Lloyds over working hours and a strike at Midland Computer Centres over pay in 1979, industrial action involving a strike in the clearing banks over pay in 1981, a three-week strike at Midland Bank Heathrow office over shift patterns and a half day Christmas strike in the English clearing banks including the Co-operative Bank over holidays in 1983, a three day strike at Midland Computer Centre over shift allowances in the end of 1986 and the beginning of 1987, an overtime ban in major English clearing banks in 1987 and a one day strike at Barclays D.P. and an overtime ban in Lloyds in 1989. It also experienced a strike within the union in 1984.

Historically, staff associations and staff unions have been much more modest, retaining the sense of loyalty to the employers, which basically reflects the preference amongst the employees. Despite this, changes did occur. Strike clauses, once non-existent, were incorporated into their rules and constitutions and then, restrictions upon industrial action were relaxed in two staff unions. It was after these changes that B.G.S.U. and L.B.G.S.U. embarked upon their first industrial action in 1987. Explaining the cautious approach of the staff unions, an official mentioned a white-collar mentality.



"Bank staff are not used to industrial actions. We have just started mobilising them into an overtime ban."<sup>60</sup>

## The State and Industrial Relations

The state and its agencies have played important roles in the development of the industrial relations system in banking both by acting as the third party and by actually shaping it, although such consequences may not have been intentional. There are two major sources of influence which are of particular importance in relation to the analysis to follow later in this research; collective labour law and incomes policy. The former actually shaped the system and determined the sphere of state intervention, whereas the latter often affected the short-run growth patterns.

Since collective bargaining came to be seen rather in a favourable than hostile manner by both the employers and the state, particularly as a practical means to regulate conditions of employment, the orthodoxy of 'non-interventionist' public policies began to emerge.<sup>61</sup> Two such policies can be seen in the final report of the Royal Commission of Labour in 1894 and the Reports of the Whitley Committee after the First World War.

The government appointed the Whitley Committee on Relations between Employers and Employees in 1916. The background was the

expansion of the economy, the alteration of the production processes during the War, and the consequent emergence of a powerful Shop Stewards Movement in such industries as engineering and shipbuilding. The Report recommended the establishing of joint machinery at a firm, district and national levels in industries where there existed well developed organisations. This became the prime objective of the newly formed, still fragile Bank Officers' Guild and, in fact, remained so until the beginning of the 1930s when it was replaced by the demand of recognition with arbitration agreements.

Historically, there were two major deviations from the non-interventionist orthodoxy of British Labour Law before the 1960s; the Emergency Powers Act 1920 and the Trade Disputes and Trade Union Act of 1927 passed in conjunction with the revival of the Triple Alliance and the General Strike in 1926, and the war-time Conditions of Employment and National Arbitration Order, or the Order 1035, of 1940.<sup>62</sup> The former, which restricted sympathetic strikes and picketing, did affect union growth, but such effects seem to have been submerged soon by the Depression. It was rather latter Act which played a crucial role in shaping the industrial relations system whose form was to last some 30 years.

Orders during the War were issued under Defence regulation 58AA to extend government control over industry. Following the recommendation of the National Joint Advisory Council, which was composed of the British Employers' Federation and T.U.C.

representatives under the chairmanship of the Minister of Labour, the Arbitration Order came into effect in 1940, enabling the Minister to refer disputes to compulsory arbitration by the National Arbitration Tribunal. This Order had an unintentional effect upon the banking industry, as it forced many staff associations to change their organisations from automatic to voluntary ones in order to comply with its requirement, thus establishing the 1940 industrial relations system in which two genres of staff representative bodies, B.O.G. and the staff associations, co-existed with recognition being given only to the latter. The Order was replaced in 1951 by the Industrial Disputes Order.

Then, in the 1960s, the non-interventionist legal system began giving way to a more reformist or restrictive approach. The background of this was the retardation of the British economy, a part of whose cause was often argued to be inefficient labour practices and wage inflation. The Donovan Commission, set up by the Labour government, produced one of the most detailed reviews of the industrial relations system in 1968, in which voluntary reform based upon a new legal framework was recommended.<sup>63</sup> It also pointed out the existence of two systems of industrial relations, the formal system embodied in official institutions and the informal system at plant level, and proposed effective regulation of the informal system by formal plant agreements.

The Conservative Party's Industrial Relations Act of 1971 and the Industrial Relations Code of Practice of 1972 were an



attempt at reform in a rather restrictive way. Any breach of collective bargaining agreements was to be deterred by legal means in order to eliminate the alleged informality and disorder of the system. Trade unions became legally liable under the Act, reminiscent of 'Taff Vale', closed shop agreements were replaced by an 'agency shop' where employees were given the right to belong as well as not to belong to trade unions, and the Secretary of the State was provided with a power to order a 'cooling-off' period of up to 60 days in industrial disputes. Behind the Act was a conservative ideology of free market economy, where trade unions were regarded as interfering with the free functions of the labour market by restricting the originally free relationship between the employers and employees.

The T.U.C.'s special congress voted to boycott the procedure of registration under the Act. N.U.B.E.'s registration in defiance of the T.U.C. resolution brought about an odd situation in the staff representation in the industry. The union was suspended from the T.U.C., consequently being deprived of protection against inter-union competition under 'Bridlington' rules. This enabled A.S.T.M.S.'s entrance into the banking industry, and it succeeded in absorbing two staff associations, namely those in Midland and Clydesdale, which were to opt out of national negotiation.

The Industrial Relations Act of 1971 was repealed and replaced by the 1974 Labour government, being revived only by the Employment Acts of 1980 and 1982 which followed the failure



of the Social Contract. Labour's legislation in the mid-1970s had three stages; the Trade Union and Labour Relations Act of 1974 and its Amendment Act of 1976, which repealed the Industrial Relations Act and restored the principle of unenforceability of collective agreements in terms of legal means, and the Employment Protection Act of 1975, which introduced new legal rights for employees and unions and established the Advisory, Conciliation and Arbitration Service ( ACAS ), and the Bullock Report on industrial democracy in 1977.<sup>64</sup>

As the economy deteriorated during the stagflationary period, and as the Social Contract between Labour and the T.U.C. began to be seen as a voluntary pay restriction rather than as a part of a comprehensive egalitarian public policy without much gain, general dissatisfaction increased to bring about the 'winter of discontent' in 1978 and 1979, and a new Conservative government. Employment Acts in 1980 and 1982 aimed to re-adjust the balance of power between employers and trade unions under the same spirit of the Industrial Relations Act. Details included reduction of immunities, particularly in relation to those engaged in picketing and secondary action, restriction of the definition of trade disputes, and re-introduction of the liabilities of unions.

Incomes policies in Britain have often been launched in situations of crisis, particularly in relation to the balance of payments.<sup>65</sup> Major restrictions were imposed in relatively short-periods ( 1948-50, 61-62, 66-70, 72-74 and 75-76 ),

although some efforts to directly control wage inflation had been almost continuously present particularly between 1965 and 1978. Unfortunately, most of them failed to stabilise wage inflation as the termination of the restrictions was often followed by a 'rebound' effect.

Of these, by far the most important in terms of the banking industry was the one between 1966 and 1970, which consequently provided N.U.B.E. with a chance to gain recognition and to establish national machinery. Following the economic problems in early 1966, the Labour government imposed a six-months freeze on prices and incomes in July, which was followed by 'severe restraint' of same duration.<sup>66</sup> A Prices and Incomes Act of August 1966 made it the first statutory control on incomes.

Although the T.U.C. operated a voluntary early warnings system in the early phase, it started pressing to repeal the Act from September 1967. In the banking industry where the restraints coincided with a proposed alteration of working hours, it provoked the strongest dissatisfaction ever observed in its history, which N.U.B.E. successfully mobilised into a national strike action in order to obtain recognition and establish national machinery. This tendency of 'rebound' was more or less common in other sectors of the economy, and the termination of the freeze in 1970 induced soaring number of industrial actions. Thereafter, restrictions were re-introduced by the Conservative's Counter-Inflation Act of November 1972 and 73 as well as Labour's Social Contract in the mid-1970s.

Nevertheless, incomes policies were generally to give way to monetary control.

### Patterns of Unionisation

Graph 3.3.1 shows the historical growth of Bifu and SA in the four largest clearing banks, which is comparable with similar graphs by Robin Blackburn. The Staff Union has been most successful in Barclays Bank. The bank had been a N.U.B.E.'s stronghold until 1972, when it was surpassed by the association. Almost throughout the 1970s and the 1980s, the Barclays' association ( union ) succeeded in recruiting the growing number of employees in the bank, whereas Bifu constantly decreased its density. The situation is somewhat similar in the National Westminster Bank, where staff associations had substantial membership compared with N.U.B.E. before the merger in 1969. Although N.U.B.E. boosted its membership just before the merger and maintained it until 1972, it lost its membership abruptly thereafter, widening the difference between staff union membership. In Lloyds, there had not been that drastic change in the situation and both Bifu and the staff union seem to have got out of the stagnation at the beginning of the 1980s.

In the Midland Bank, a new staff association was launched in 1953. This organisation grew rapidly, surpassing N.U.B.E.



membership in 1960. However, membership stagnated after the establishment of the machinery, and it transferred to A.S.T.M.S. in 1974 after which no data is available. However, it seems to have been the case that an outflow of membership from A.S.T.M.S. had taken place, and the approximate membership of 10,000 at the time of the merger is supposed to have declined to some 6,000 by the end of the decade. The union failed to halt this trend, and was de-recognised in May 1989 despite a slight recovery in membership.

The institutional differences of density of Bifu and staff associations generally seems to be categorised into four patterns, which are largely organisationally determined. One is the those banks where staff associations have been operating successfully, thus creating a system of dual representation. These include Barclays, National Westminster and Lloyds as we have just seen. In all these banks, staff associations were established in the early years of the 1920s, and the large sizes and expansion of the respective institutions enabled them to develop without being absorbed. Generally, the staff associations and unions have a higher density than Bifu, although their historical development may differ depending on the particular institutional circumstances. In a nominal density term, Bifu has approximately 20 to 30 per cent whereas the house association and unions now organise some 50 to 60 per cent.

The second pattern is where staff associations were absorbed by other much larger associations. There are only two examples



that fall into this category; District's and Coutts' associations. The former followed a merger of the parent bank. The third pattern is where staff associations merged with or absorbed by Bifu. Generally, the establishment of these associations were relatively new and their size was small. These associations include those in the Yorkshire, Williams & Glyn's, Royal Bank of Scotland, Bank of Scotland and Bank of England. The case of Midland and Clydesdale, where staff associations transferred to A.S.T.M.S., may also be regarded as falling into this category. In these banks, Bifu generally enjoys high density, ranging from 50 per cent in Midland Bank to nearly 100 per cent in Yorkshire Bank. The absence of competition may enable the union to grow further in the future. The final pattern is those banks where there have been no influential staff associations. These include the T.S.B. and Co-operative Banks where Bifu enjoys membership security agreements. In the T.S.B., Bifu had already achieved a nominal density of 75 per cent in the mid-1960s.

Grade and area distributions may be of particular interest for sociologists but unfortunately, accurate, comparable figures of all the unions were not available for the former. It has been argued that historically, staff associations and unions have been stronger amongst the employees in the primary sector of the labour market, whereas the more unionate Bifu tends to get its support from the lower sections of the hierarchical structure. Probably, there is still some truth in such an argument. Not only the L.B.G.S.U. has maintained sole

Table 3.3.1    Area Density

AREA	Bifu		SA
	1961*	1987	1987
Greater London	36	16.7 (21.4)**	18.0
South East	39	6.0 ( 9.1)	22.4
East Anglia	65	25.0 (47.4)	-
South West	28	28.1 (47.3)	42.7
West Midlands	58	25.3 (36.7)	29.0
East Midlands	58	20.7 (26.3)	18.5
Yorkshire & Humberside	55	24.9 (33.9)	21.9
North West	69	27.8 (41.3)	21.6
North	49	18.4 (25.9)	26.2

Wales	73	40.0 (49.5)	33.9
Scotland	42	34.9 (51.8)	-

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SOURCE: Union data.

NOTES: \* 1961 figures are taken from Blackburn, R. op.cit.

\*\* Figures in parenthesis are calculated taking 'banking and finance' as a denominator.

bargaining rights for appointed staff, but another house union organises around 70 per cent of the district membership of the same category, although its overall district density was well under 60 per cent in December 1987.<sup>67</sup> It can also be shown that staff in head offices, who are proximate to the core of the hierarchy, and part-time staff, who have only a weak labour market attachment, are among the most difficult to recruit, comparable figures being 40 and 35 per cent, respectively.

However, sex distribution of Bifu and SA membership does not follow this schematic pattern. Despite the fact that the overwhelming majority of female staff have been unappointed clerical staff, it is only in the 1970s that the proportion of female membership of Bifu exceeded that of all other staff associations.

Blackburn depicted area distribution of N.U.B.E. membership in 1961 as follows.<sup>68</sup> Although it was strongest in South Wales ( estimated density of 82 per cent ) and in the North-West ( 69

per cent ), it was weak in Scotland ( 42 per cent ), Greater London ( 36 per cent ) and the Southern England ( 28 per cent ). How has this changed in these three decades?

The area distribution of nominal Bifu and total staff association and unions membership is shown in the approximate nominal density term in Table 3.3.1. All the data is for September or December 1987 when the last Census of Employment was carried out, except that of the N.W.S.A. where only 1989 figures were available. Because of the reasons stated below, figures are only an approximation and are not comparable between the two categories of organisations. Firstly, accurate employment data cannot be specified. For Bifu, two sets of different data are taken from the Census of Employment; 'banking, insurance and finance' and 'banking and finance' section. This inevitably ignores potential members who have already been organised into competing unions in the same section of the economy like M.S.F., APEX and N.U.I.W ( National Union of Insurance Workers ) as well as staff associations in the sector. For the staff associations and unions, those employed in the 'banking' section was used as a denominator. This considerably underestimates density. Secondly, all figures of staff associations and unions exclude institutional members. Thirdly, some errors are unavoidable in the process of re-classification of the areas, as their boundaries are not often clearly indicated.

Nevertheless, it can be seen that general patterns of area distribution of Bifu ( N.U.B.E.) have been historically fairly



stable. It is still strongest in Wales and weak in South east and Greater London, indicating that area factors which determined the pattern some 25 years ago are still present. It improved performance in Scotland, but this probably indicates the effects of the merger of staff associations. Combined staff associations are strongest in the South West, Wales and the West Midlands, and also weak in London.

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6. Ibid. 1-2.
7. Piore, M.J. op.cit. 140.
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10. For general information, see

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11. The interest rate cartel concerning the deposits had attracted increasing criticism from the Monopolies Commission as well as the National Board for Prices and Incomes and was abolished in 1971, following the Bank of England proposals, 'Competition and Credit Control'.

12. Annual Report and Accounts of respective banks in 1990.

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14. The Committee of London Clearing Bankers, op.cit., 26.

15. Grady, J and M. Weale. 1986. British Banking, 1960-85. London: Macmillan.

16. Union Record, B.G.S.U. in 1989.

17. Ibid.

18. Following issues of N.U.B.E. News. Feb., June, July 1971, Jan., Sept. 1973, June 1978, and Bifu Report Sept. 1982.

Cheque transfer operation roughly worked as follows. The cheque sent from A to B is brought to a cashier by B in her branch. The cheque and the paying-in form are passed to the remittance clerk who includes it in the total figures of the work in the branch, and the day-book clerk and the ledger keeper enter it as a credit for the account of B, after which it is forwarded to the clearing department of the bank. A security clerk is responsible for keeping the documents deposited by customers and ensure repayment of loans and overdrafts as well as arranging for the purchase and sale of stocks and shares etc. Accountant is in

charge of the efficient organisation and function of the branch and the Manager takes responsibility for the entire business transaction.

19. L.B.G.S.U., Advance, No.2, 1989.

20. Recruitment brochures.

21. Data provided by Lloyds Bank in May 1991.

22. Royal Commission on the Civil Service, 1931.

23. Winton, J.R. 1982. Lloyds Bank, 1918-69. Oxford University press. 1.

24. Foss, G.W. 1938. 'Ten Years of Mechanisation'. The Banker.

25. The Times, 24th February 1931.

26. Ibid., 90. In Lloyds, the last mechanisation of book-keeping took place in 1962.

27. Ibid., 11. In Lloyds, any women on the permanent staff had to resign when they marry.

28. Midland figure in 1930, and Lloyds figure in 1928.

29. The Bank Officer, October, 1919.

30. Lloyds Bank, Winton file. Staff ( Pay, Profit Sharing and History of Remuneration ).

31. Winton, J.R. op.cit. 63-67.

32. Lloyds Bank, Winton file. Organisation Committee, 1929, Memoranda Book.

33. Ibid.

34. Ibid.

35. Ibid. Salary Revision, 1937. Memorandum from the Chief General Managers, 28th September 1934.

36. Ibid. A Memoire, on 12th August 1976.

37. Union Record, Lloyds Bank Circular from the Chief General Manager to the Managers of Branches, 1955.

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39. The Economist, 18 June, 1966 and 10 June, 1967.

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In comparison with this, the 'pluralist' regards the organisation as a pluraristic society containing many related but seperate interests and objectives, whereas the 'radical' school consider the two interests inevitably contradictory and that conflict can be overcome only by a change in social structure.

48. Report of the Inquiry by the Honorable Lord Cameron. November 1963, H.M.S.O.

49. Industrial Relations Service. 1988. Industrial Relations in Britain: An Industrial Relations Services Guide.

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50. C.L.S.B. 1990. op.cit. The figure includes part-time staff at the rate of .5.

51. In Lloyds, for instance, L.B.G.S.U. has sole bargaining rights for managerial staff whereas pension scheme has been generally negotiable.

52. IRS Employment Trends 465, 13. June 1990.

53. Hyman, R. 1983. 'Trade Unions: Structure, Policies and Politics'. 41-48. Bain, G.S. ed. op.cit.

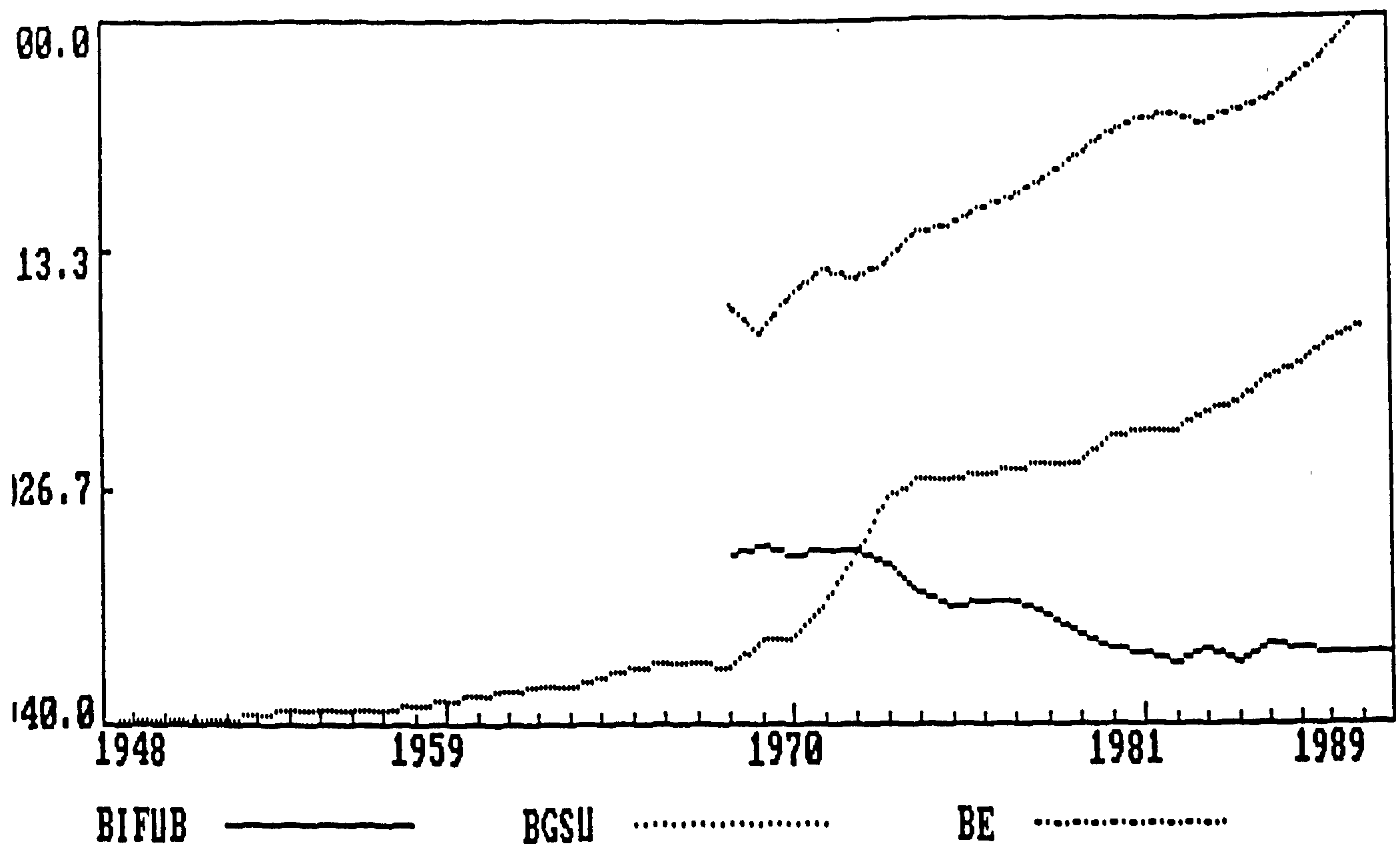
54. Bifu Report, July 1980.

55. Bifu, 1989, Constitution and Rules.

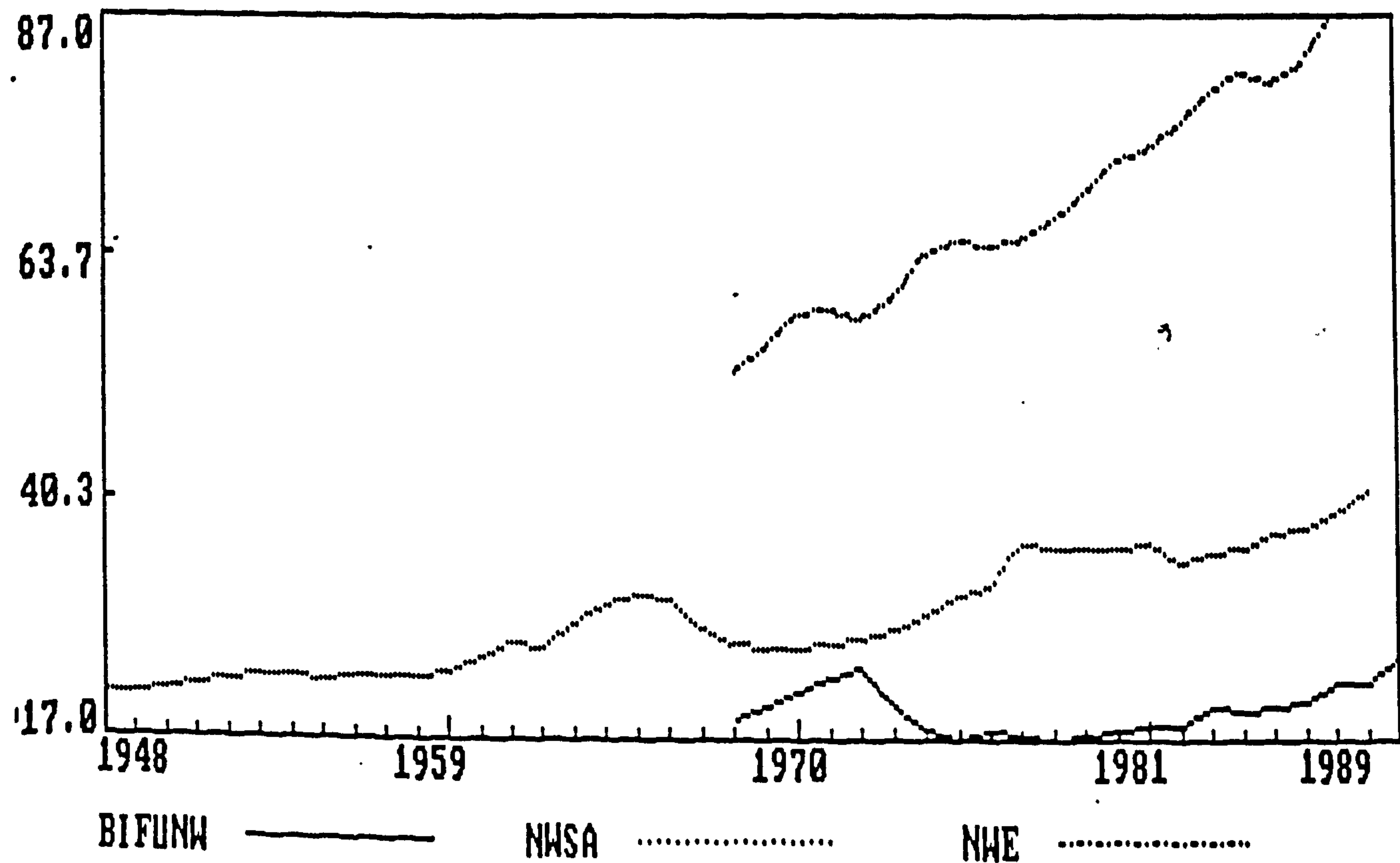


56. Rothwell, S. and T.Morris. 1985. 'Industrial Relations in Banking'. B.L.Livy ed, op.cit.
57. An interview.
58. Figures taken from journals.
59. A survey result in June 1990.
60. An interview.
61. Lewis, R. 1983. 'Collective Labour Law'. G.S.Bain. op.cit. See also Clegg, H. 1979. The Changing System of Industrial Relations in Great Britain.
62. Lewis, R. op.cit.
63. Ibid.
64. Ibid.
65. Davis, R.J. 1983. 'Incomes and Anti-Inflation Policy'. G.S.Bain, op.cit.
66. ACAS, op.cit.
67. Union records.
68. Blackburn, R. op.cit. 116-120.

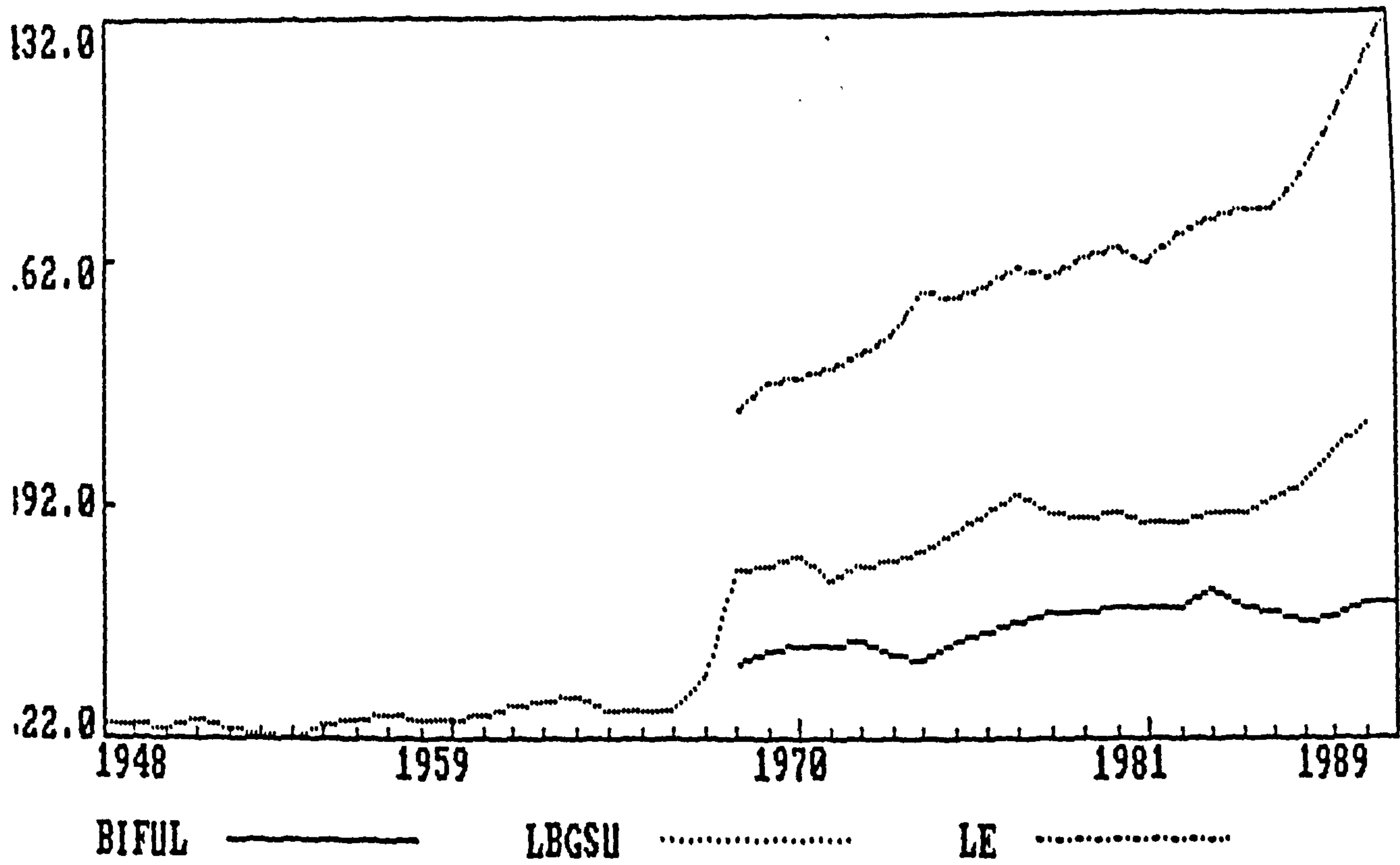
Graph 3.3.1 Institutional Analysis/ Barclays



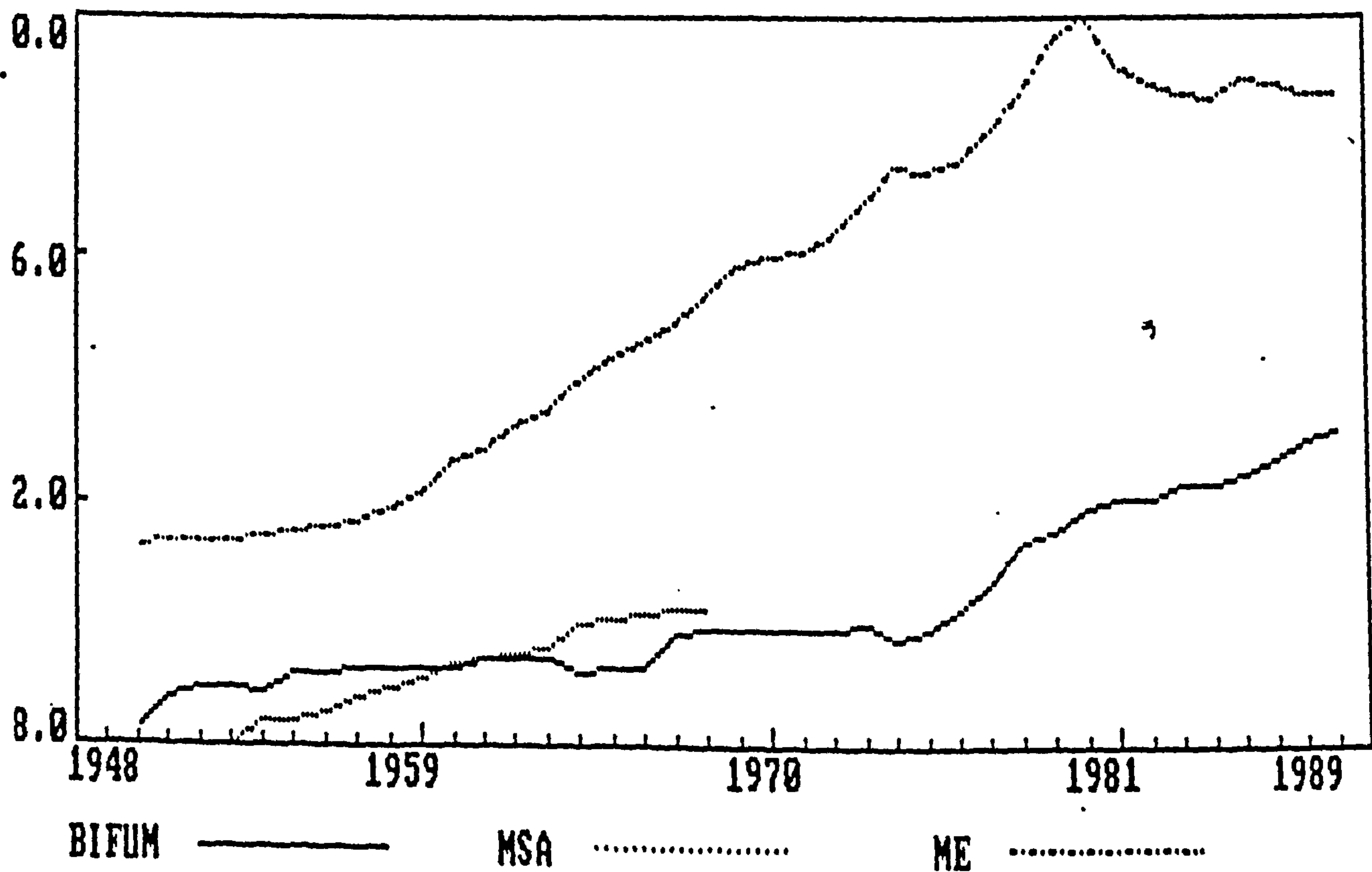
NATIONAL WESTMINSTER



# LLOYDS



# MIDLAND



## 4. Short-run Models and Long-term Growth

The aim of this chapter, and the subsequent two chapters, is to identify the factors and processes of union growth in a disaggregate, time-series context. This chapter explores this in a rather conventional fashion found in research in industrial relations, whereas the later chapters follow a historical sociological approach in which both empirical models and close historical examination lead to a generalised understanding of union growth.

One of the contentions of this work is to treat explicitly the short-run and long-term growth processes. This approach of segregating the two processes dates back to the early study initiated by Dunlop and rests upon the assumption that the historical growth of trade unionism is subject to two broadly differentiable factors; those relate to continuous expansion - or reduction - of the scale of industries and the changing structure of industries which set a trend, and to the business-cycle which cause year-to-year fluctuation. The attempts to develop time-series models of union growth since Hines were, as some researchers, notably Booth, noted, roughly speaking to extract and incorporate the cyclical factors into conventional statistical models in order to assess the relative impacts of observable factors upon union growth.



The almost exclusive focus of many analysts upon short-run growth, at least partly, derives from the model specification itself. In order to avoid spurious correlation, autocorrelation and multicollinearity, and to measure the effects of explanatory variables explicitly, most of the dependent variables are specified as the rate of change of union membership or its equivalent; the rate of change of union density ( Hines ), the rate of change of union membership ( AP and BE ) or one year difference of union membership in logarithm ( CD ). This largely wipes out the trend. Nevertheless, few attempts have been made to isolate long-term determinants of union growth in an empirical context. The first part of this chapter exclusively deals with the short-run processes of union growth. Then, in the latter part, causes of long-term growth are considered.

### 1. Short-run Models

In this section, business-cycle models of union growth are run to specify short-run determinants in the banking industry. In the first part, basic properties of the business-cycle models are reviewed briefly. Following this, certain problems that derive from the nature of the research is discussed. The results of empirical assessment follows the preliminary models in the third section.

## Inflation and Union Growth

The core of the business-cycle theory of union growth is the economic variables, such as price inflation, wage inflation and unemployment rate, which directly or indirectly affect the individual utility of union membership. The basic assumption on price inflation is the threat effect. Remuneration often lags behind price inflation, thus enhancing the utility of union services. Or, in the same way, it is possible to argue that price inflation has certain effects upon an expected rate of change in remuneration and discrepancy between the expectation and the actual change could be a cause of unionisation.

Some incidental effects can also be pointed out. Pay negotiations, for example, have often been carried out based upon the previous or current year's retail price index. When prices are rising, backed up by favourable conditions, union activities tend to be intensified, causing a change on the supply-side, as emphasised by Ashenfelter and Pencavel. Under these circumstances, employers might also behave in a more favourable manner to trade unions, as they can pass on the extra labour cost to prices ( prosperity effect ), which, together with a tight labour market, reduces the possible retaliation by employers. Another measure of the prosperity of industry sometimes adopted in this type of model is real

profit. The variables can be found in Hines (1964), Burkit and Bower (1978) and Sapsford (1986) and others. Their argument is similar to that on price inflation and consists of workers' expectation and 'prosperity effect'.<sup>1</sup>

Although Ashenfelter and Pencavel did not include wage inflation into their time-series model, many others did, and the theory which supports such attempts goes back to the institutional economists. Burkit and Bowers, quoting the membership function of Dunlop, argued,

"the higher is the money wage impact of a union, the greater is the proportion of potential members who join it. Campaign to organize labour are most likely to succeed when prospective recruits can be convinced that they will benefit from affiliation: the most convincing of such benefit is usually a wage increase."<sup>2</sup>

Bain and Elsheikh called this causality a 'credit effect', as mentioned earlier. Nevertheless, a priori reasoning of this variable seems to be difficult, as decreasing wage rates may induce the employees to join trade unions as a defensive organisation.

The same ambiguity appears in relation to the unemployment rate; a buyers' labour market may further the necessity of protection. Furthermore, financial industries were, until recently, known to be immune from redundancy. Thus, if the variable functions in the model, it would be measuring the



effect upon the employees of general conditions of the economy, rather than an immediate threat. Thus, the demand for union service seems to appear as a positive function of price inflation, but the functional form of conditions of employment can be a purely empirical matter.

### Organisation and Episodic Events

Some organisational variables do not quite come into the theoretical framework as they do not directly affect the choice behaviour of individual employees. Natural union growth that derives from an increase or a decrease in employment, for example, is mostly an unintended consequence of corporate management planning. Provided the propensity to unionize among employees at different times is equal, an increase in employment may cause a proportional increase in union membership, even if the 'union security agreement' that Ashenfelter and Pencavel postulated is not applicable to most of British banks. The variable is of some interest not only as time-series models have often shown some time lag between a change in employment and union growth but the propensity to unionise historically changes.<sup>3</sup> Certain elements of time lag may function in a mechanical fashion; for instance, new entrants to the offices in the autumn may join a union some time after, as, if the assumed credit effect is to function,



most of pay negotiations have been carried out in the new year or in spring.

Ashenfelter and Pencavel also noted a supply-side factor.

"To the extent that the primary goals of union leadership are the long-run growth and survival of trade unions as an institution, drives to organize new jurisdictions are more likely to take place when they have the highest probability of success. A period of increasing employment is favourable to successful organizing drives: the organizing funds of unions will be larger, and the potential union member is more receptive to organizing efforts."<sup>4</sup>

This does bring the argument close to the business-cycle model. However, if such an argument has firm ground or not is, again, a matter of empirical assessment. In fact, some recruitment campaigns have been carried out almost every year and successful drives often seem to depend on the existence of dissatisfaction or anxiety amongst the employees, which may be intensified and mobilised through effective campaigns.

The negative effect of union density on union growth is called 'saturation' effect, which occurs as a result of the exhaustion of resources. This variable seems to be particularly adequate in the industry where trade unions and staff associations have organized a considerable proportion of the employees after the war, excluding only those who would gain few merits from membership or those whose preference make them

opt out of it. Nevertheless, the 'social custom' effect in the service sector would be, with certain exceptions, unlikely because, as Mills wrote, many employees in service sectors regard unions as something to be used rather than as something in which to believe.<sup>5</sup> Structure of enterprises might have deprived the normative aspects from trade unionism.

Recognition, bargaining relationships and female employment are often regarded to be long-term determinants of union growth. Nevertheless, some, including Richardson, argued that they can also have short-run effects.<sup>6</sup> Bain particularly insisted that recognition was a significant determinant of the cross-sectional pattern of white-collar unionisation. It has also been considered in the last chapter that such a factor as recognition directly conditions both the demand and supply of union services and, in this sense, it is somewhat akin to the establishing of the market relationship itself.<sup>7</sup> It has also been argued that recognition, in turn, does not derive from good will, but often as a result of industrial conflicts and 'directly or indirectly, as a result of government policies and the favourable climate they created for trade unionism'.<sup>8</sup> This effect has often been captured by dummy variables. Female employment has been assumed to have a negative effect upon unionisation, although propensity to unionise amongst this category of employees has been subject to historical changes. Here the assumption is that the lower labour market attachment of the female labour force systematically reduces the benefit of union membership.

Modelling social phenomena at a disaggregate level often drops the performance of estimated equations. Much of this derives from the presence of episodic events, which are not formulated as variables whose effects are continuous. Such factors may incorporate the effects of successful campaigns and industrial actions, as the consequences of such organisational mobilizations often far exceed those of non-systematic reaction to business-cycle factors. The nature of such effects as well as the effects of these events upon the structural situation are rather an empirical problem, but it may be close to the 'credit' effect where the strength and actual benefits of trade unions are particularly demonstrated in an obvious form. In fact, the very purpose of industrial actions can include membership increase, as has sometimes been speculated by union officials.

#### Structural Stability and Simultaneity

Equations estimated over a historically long sample period are often structurally unstable as the causal relationships between the dependent and independent variables change over time. Although predictive ability of the model may not be a prime concern in this type of research, identification of the causal processes of union growth does matter, and the Chow test has sometimes been applied to detect a break point in the systematic relationship. Various events can be assumed to cause



a structural break. Bain and Elsheikh suggested that, owing to a depression and the withdrawal of Southern Ireland from the U.K. which affected the internal consistency of their statistical series, and the revival of trade unionism after the depression, their aggregate model may have undergone such a shift in 1922 or in 1933.<sup>9</sup> Similarly, Booth found that a structural break occurred in the early 1920s, whereas no instability was found in the 1930s or 1945.<sup>10</sup> The industrial relations system in the banking, too, has undergone a series of changes, among which two of them may be of particular importance; reorganisation of some staff associations as voluntary bodies in 1940, and recognition of the then N.U.B.E. and the establishment of the national negotiating machinery in 1968.

Simultaneous relationships between the union membership and business-cycle variables, which make the least squares estimation both biased and inconsistent, have often been suspected. The estimation method is rather a matter of a choice and, in the conventional business-cycle models, the problem is often left open on the assumption that the 'single equation is a part of a recursive system' without any feed back in the current period and that the 'errors are uncorrelated across equations'.<sup>11</sup> Ashenfelter and Pencavel used instrumental variables estimation which yields consistent parameter estimates in a single equation.<sup>12</sup>



## Data

The data for the preliminary models are at three levels of disaggregation. The first, which is shown as model 1, is the one run depending on the data originally compiled by the Department of Employment that cover banking, insurance and finance industries. This model is in nature close to a time-series model of white-collar union growth, but at this stage, no efforts are made to expand the original research area on which the empirical part of this work rests. The second, model 2, simulates union growth in major clearing banks in England. The third, model 3, depends on firm-level data. Lloyds Bank was selected for the modelling chiefly because of the accessibility of its abundant statistical sources compiled by an economist of the bank, Winton.

Modelling at different levels of disaggregation is partly due to the availability of the data. Although the construction of an industry-level model is the main purpose of this research, consistent and continuous data of all the variables that the theory suggests are difficult to obtain. In fact, the only consistent salary data available which cover the whole period between 1920 and 1990 are at a firm-level, either because official compilation of earnings surveys has been discontinued or because many of the clearing banks have not such data readily available.

The sources of the data are described in Appendix 3. At each level of disaggregation, membership, retail price index, employment, unemployment, density and profit series are generally consistent. The salary or remuneration series of model 1 and 2, however, suffer from discontinuity and inconsistency. This series is excluded from some estimation.

### Preliminary Models

In this section, three models of union growth, namely the Bain-Elsheikh ( shown as BE ), the Ashenfelter-Pencavel ( AP ) and Carruth-Disney ( CD ) models are re-run using three sets of data.

a. Model 1: Most of the data covers the post-war period from 1948 up to 1979. Following variables are used in the model. T denotes the rate of change of trade union membership in insurance, banking and finance industries.<sup>13</sup> 'Any organization of employees which try to regulate their members' relations with employees' are regarded as trade unions whatever names they adopt for their organization. Retired members have generally been excluded where they constitute a substantial part of a union's membership.<sup>14</sup>

P is the rate of change of retail price index. REM is the rate of change of average weekly earnings index in these or

kindred industries. Unfortunately it is difficult to construct a perfectly consistent salary series and special attention is required for the interpretation of regression coefficients. PMEM denotes the rate of change of potential union membership. This series, together with trade union membership figures, is compiled by Bain and his associates recently.<sup>15</sup> E was calculated from this series by subtracting the number of unemployed. Rather than to make an employment series from the official publication, this method is preferred because, firstly, to avoid the inconsistency of the data which is more or less unavoidable, and secondly, thus compiled employment data are consistent with the union membership data formulated by the same authors.<sup>16</sup> Note that dEi is used for the Ashenfelter-Pencavel specification, but this is to save the degree of freedom of the model which relies on a relatively small number of observations and to avoid multicollinearity.

Ut is the unemployment rate in these industries.<sup>17</sup> Upt denotes the unemployment rate in the preceding trough of the business cycle. Generally, unemployment in these industries is low and characterised by little cyclical fluctuation. Trade union density is calculated using PMEM as a denominator for the Bain-Elsheikh specification, and E for the Ashenfelter-Pencavel and Carruth-Disney specifications. Following Ashenfelter-

Table 4.1.1./Model 1

Equation	1	2	3	4
Specification	BE	BE	AP	CD
Method	OLS			
Period	1949-79		1952-79	1949-79
Constant	.206 (3.198)	-.301 (2.872)	.204 (1.644)	-.227 (-2.735)
Pt, pt	.130 (.947)	.149 (1.086)		.152 (1.038)
Rt, remt	.945 (1.273)	.980 (1.337)		.098 (1.260)
Et, et			.052 (.366)	
Dt-1, (t-e)t-1	-.006 (-2.919)		-.064 (-2.327)	-.243 (-2.997)
(Dt-1)-1		11.824 (3.086)		
Ut, ut	.044 (2.992)	.045 (3.118)	.054 (2.645)	.045 (3.102)



PolD	-.189	-.209	.001	-.190
	(-1.749)	(-1.927)	(1.046)	(-1.848)
<hr/>				
R2	.344	.363	.258	.359
—				
R2	.213	.236	.129	.230
SER	.026	.025	.027	.024
RSS	.016	.016	.016	.015
F	2.625	2.854	2.000	2.794
DW	2.292	2.241	2.372	2.264
H. F	1.218	1.345	1.409	1.190
LM.F	.650	.464	.962	.542
<hr/>				

t statistics in parentheses

\* P, REM, E variables in BE and AP specifications are the rate of change.

\* Variables in the CD specification are differences in logarithm.

Pencavel and Carruth-Disney models, two political climate and labour legislation variables are tested. Pol denotes the per cent of Labour MPs in the House of Commons, and PolD is a dummy variable which takes a value 0 when the Conservatives are in power and 1 when the Labour is in power.

The result is shown in Table 4.1.1. Generally, the explanatory power of the models is insufficient. Compared with previous models, price index has generally been insignificant, so as the rate of change of employment and potential union membership. In consequence, the Ashenfelter-Pencavel model, which heavily relies on these variables, failed to achieve a statistical significance, although the adaptation of the level of employment variable rather than its rate of change improved the model performance. Density and unemployment variables are statistically significant at the 5 per cent level but the political variables have only weak effects on the fluctuation of membership. This result is more or less applicable to the Bain-Elsheikh model, too, although unemployment without lag showed a little better result. The sign of political and political dummy variables are minus, indicating their insignificance. Many variables which were insignificant in the first modelling are excluded from the Carruth-Disney specification and the best lag structure was chosen. In consequence, models shown in the table are almost identical with the Bain-Elsheikh specification, although adaptation of

the level of unemployment ( U ) rather than the rate of change of unemployment in logarithm improved the model slightly.

b. Model 2: This model deals with the major clearing banks in England, which roughly correspond with the former London clearing banks.<sup>18</sup> The affiliation of Co-op and Trustee Savings Banks into the London Clearing House in 1975, and that of the National Girobank in 1980, expanded the category of clearing banks substantially. Furthermore, dissolution of the Committee of London Clearing Bankers to form the Committee of London and Scottish Bankers in October 1985, which now integrates much wider firms in banking, insurance and finance sectors, virtually put an end to the traditional category of the London clearing banks as an organized body.

Exclusion of some large firms as the Royal Bank of Scotland and the TSB Group comes mainly for historical and technical reasons. Since the formation of a wider monetary sector is quite a recent phenomenon, the London clearing banks have been a dominant group in the banking industry during most of the period that this research covers. In consequence, most of the time-series data as well as other research in this field has been carried out following this category, and construction of consistent series outside this category would entail some difficulties, even if it was possible. Midland Bank figures are also excluded from some series. This is due to the historically distinct behaviour of its staff association. As already mentioned, the Midland Bank Staff Association was once



abandoned in 1950. The new body formed in 1953 was subsequently merged with ASTMS in 1974, and now constitutes a Midland Bank section of MSF. No data is available during the years, 1948-52 and 1974-89.

Following the basic specification of three existing models, the following variables are included in the model.  $T_t$  denotes trade union membership in the year  $t$ ,  $T$  is its rate of change,  $\ln t_t$  is in logarithm and  $\Delta t_t$  is defined as  $(t_t - t_{t-1})$ .<sup>19</sup> The membership of Bifu ( N.U.B.E. ) and staff associations and unions in relevant banks were added up to make a consistent time series. The retail price index, average weekly earnings index and political variables are the same as those used in model 1. Probably the adaptation of this earnings index can be questioned in terms of its consistency with other data. A salary series of the banks dealt with are hardly obtainable before 1969, so this is the second best choice. This deficiency of the series might be supplemented by two methods adopted here. One is to run different models wherever the series is available at different levels of aggregation ( model 1 and model 3 ). Another is, following the Ashenfelter and Pencavel model, to use price index series to the approximation of remuneration series.<sup>20</sup> Nevertheless, because of this major inconsistency, particular attention is to be paid to the interpretation of regression coefficients where this variable is included in the model.

Employment series (  $E_t$  ) is roughly consistent with union membership series, and hence density series is also fairly



reliable. Major sources of discrepancy are as follows. Bifu membership of technical and services staff are excluded from the series after the establishment of a separate section in the Union, whereas staff associations and unions' figures and employment series include these staff. Hence Bifu density might be underestimated compared with others. Staff associations and unions' figures also include a relatively small number of staff employed in other firms of the same group, consequently overestimating the staff associations and unions' density in particular and trade union density in banking in general, especially in the 1980s.

Coutts and Co., a small subsidiary of the National Westminster Bank which employed 1,900 staff in 1988, is excluded from the union membership series but included in the employment series, consequently underestimating the union density.<sup>21</sup> Finally, there has been some dual membership, especially in the 1940s and 1950s, and union density might have been pushed up considerably during this period. Unemployment figures are not included in this model. This is due to the fact that there has not been any noticeable evidence of redundancy in the major clearing banks under study.

The result is shown in Tables 4.1.2. and 4.1.3. Generally, only 10 to 30 per cent of the variation in union growth being explained, overall performance of the models are poor, although the Carruth and Disney model seems to have slightly better results. The Bain-Elsheikh specification failed to achieve a 5

Table 4.1.2./Model 2

Equation	1	2	3	4
Specification	BE	BE	AP	AP
Method	OLS			
Period	1950-87		1952-87	
Constant	-.1007 (-1.4953)	-.1223 (-1.8467)	-.1071 (-1.3977)	-.0939 (-1.4187)
Pt-1	-.0694 (-.7613)	-.0864 (-.7508)	-.0501 (-.4617)	-.0687 (-.7618)
Rt		.0238 (.2789)		
Et			.0325 (.1581)	
Et-1			.0941 (.5062)	
Et-2			-.1617 (-.8904)	-.1565 (-.8984)

Et-3			.4141	.4023
			(2.2827)	(2.3170)

Dt	.0016	.0018	.0015	.0014
	(2.0346)	(2.4069)	(1.8281)	(1.8647)

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R2	.1437	.2108	.2877	.2809
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R2	.0948	.1318	.1403	.1881
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F	2.9379	2.6703	1.9519	3.0266
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SER	.0289	.0275	.0287	.0279
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RSS	.0293	.0226	.0239	.0241
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DW	2.3577	2.1900	2.1651	2.2039
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LM.F	1.6679	.5332	.7416	.9765
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t statistics in parentheses

Table 4.1.3. Model 2

Equation	1	2
Specification	CD	
Method	OLS	
Period	1952-1987	
Constant	.0970 (5.0822)	.1080 (5.5034)
1tt-1	-.4765 (-2.7980)	-.4645 (-2.9245)
1tt-2	-.3210 (-1.7357)	-.3029 (-1.8465)
1tt-3	-.4059 (-2.4566)	-.5494 (-3.1815)
( t-e )t	.2543 (3.7016)	.2360 (3.5804)
1et	.4083 (1.6803)	.2791 (1.1003)
11et	-.2365	-.1859



	(-1.3183)	(-1.0902)
lpt	-.1150 (-.8967)	
lpt-1		-.0257 (-.1931)
lremt	.0128 (.1277)	
lremt-1		-.1474 (-1.5251)
<hr/>		
R2	.4248	.4831
-		
R2	.2544	.3299
F	2.4930	3.1538
SER	.0258	.0244
Durbin-h	1.4468	1.6232
LM.F	9.3472	2.5872

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t statistics in parentheses

per cent significant level of F-statistic, except Equation 2. The only variable which achieved a significant level in the model is the density term, which, despite their a priori reasoning, showed a weak positive effect on union growth. The original specification of density lagged one year showed a very weak negative effect, but did not achieve a significant level of t-test. The rate of change of the retail price index and employment, and political variables are all insignificant, although adaptation of the employment variable lagged two or three years improved the result, which is included in the Ashenfelter and Pencavel model. Because of the inconsistency of remuneration series, we cannot make a hasty judgement on its effect. However, considering the insignificance of the retail price index variable, it would be difficult to conclude a strong effect upon membership. Equation 2 of the Bain-Elsheikh specification includes estimated figures of the MSF Midland Bank Section, together with the former Midland Bank Staff Association and Bifu membership in the Bank. Some of the strong fluctuations were smoothed out as a result of the inclusion of these organizations, and this model performance was a little better than the original model.

In this model, the Ashenfelter-Pencavel specification showed a slightly better performance. This is mainly due to the inclusion of the rate of change of employment variable lagged

two and three years. The performance of the Carruth-Disney specification was the best of all. This result also suggests that there is little evidence to show that decision of union membership have been consistently influenced by the rate of change of the retail price index and, probably, by remuneration. Membership variables lagged one and three periods were significant. As with other models, density variable is statistically significant unless it is lagged. Since the model includes a lagged dependent variable as explanatory variables, Durbin h-statistic is reported instead of Durbin-Watson statistic.

c. Model 3: A separate model was run for Lloyds Bank. This is due to the accessibility of the abundant statistical data left by an economist of the Bank, Winton, which enables this model to supplement the weaknesses in previous models. It is only this firm among previous London clearing banks which had consistent remuneration data that cover almost 70 years and thus, this model was run first preliminarily in the series of modelling processes.

As in the previous models,  $T_t$  denotes trade union membership in the Bank in year  $t$  and the specification of  $T_t$  and  $1tt$  is also the same. Trade union membership is the total number of staff in the Bank who belong to either Bifu ( former N.U.B.E. ) or Lloyds Bank Group Staff Union ( Staff Association ) unless

Table 4.1.4. Model 3

Equation	1	2	3	4
Specification	BE	BE	AP	AP
Method	OLS			
Period	1949-1985			
Constant	-.0540 (-.8227)	.0093 (.1688)	-.1384 (-2.0530)	-.1186 (2.2316)
Pt	.6076 (3.1884)		.3150 (2.5715)	.3341 (2.7126)
Rt	-.3775 (-2.3372)			
RREMt		-.3752 (-2.1729)		
Et		.1868 (.8769)	.3959 (1.9988)	.4121 (2.0965)
Et-1			.2512 (1.2850)	.2397 (1.2427)



Et-2			-.3388	-.3384
			(-1.7018)	(-1.7264)

Et-3			.2233	.2092
			(1.4367)	(1.3666)

Dt	.0007	.0001	.0013	
	(1.0899)	(.2374)	(2.1031)	

(Dt-1)-1				-12.4028
				(2.2944)

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R2	.2495	.1892	.3586	.3739
-				
R2	.1813	.1155	.2303	.2487
F	3.6572	2.5663	2.7957	2.9863
SER	.0337	.0350	.0326	.0323
RSS	.0374	.0404	.0320	.0321
DW	2.3932	2.3330	1.7638	1.7506
LM.F	1.5712	1.2573	.2138	.2330

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t statistics in parentheses

Table 4.1.5. Model 3

Equation	1	2
Specification	CD	
Method	OLS	
Period	1952-1985	
Constant	.0084 (.5277)	-.0148 (-.7804)
1tt-1	-.2532 (-1.4634)	-.2855 (-1.4810)
1tt-2	-.0038 (-.0222)	-.0907 (-.5017)
1tt-3	-.0810 (-.4327)	-.0434 (-.2202)
( t-e )t	.1151 (1.6886)	.1597 (2.2960)
1et	.5894 (2.0449)	1.0227 (2.9378)
11et	-.4152	-.4808

(-1.7297) (-1.8338)

1pt .7379  
(3.0614)

1pt-1 .4826  
(1.7765)

1remt -.4470  
(-2.0580)

1remt-1 -.0418  
(-.1852)

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R2 .3727 .3234

-

R2 .1720 .1069

F 1.8569 1.4934

SER .0335 .0348

Durbin h 2.0131 1.4745

LM.F .0064 9.3809

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t statistics in parentheses

otherwise mentioned. There is little influence of other unions, but there seems to be a certain number of dual membership after the war. This is because the Association was a compulsory, subscription-free organization until the beginning of the 1940s and nominal density in some years exceeds 100 per cent.

The retail price index (  $P_t$  ) series is the same as the one used in previous models. Average remuneration index (  $REM_t$  ) was calculated by dividing the total remuneration paid by the Bank, excluding pension contributions, by the number of staff employed each year. Employment data exclude messengers and part-timers. Hence, actual figures are, for instance, about 2 per cent less in 1975 and 6 per cent less in 1985 than those published by the Committee of London and Scottish Bankers and density variable (  $D_t$  ) is overestimated especially for the 1940s, 1950s and 1980s.

Results are summarized in Tables 4.1.4. and 4.1.5. Resting on the business cycle theory of union growth, the three specifications differ in their emphasis on certain factors and the results naturally vary. Although such variables as retail price index and density are common to all these models, the Ashenfelter-Pencavel model tends to show a better performance especially where employment variables are important determinants and the Carruth-Disney model does so when lagged union membership variables are. In model 3, it is the



Ashenfelter-Pencavel specification that showed the best results. This is mainly due to the fairly strong effects of the rate of change of employment variables and the price index, although lagged employment variables failed to achieve a 5 per cent significance level. Further inclusion of  $dE$  caused collinearity, as in model 2. The density variable is also significant, but employment of the original lagged variable again made the whole equation statistically insignificant.

Equation 1 of the Bain-Elsheikh specification are significant in terms of F statistic. Retail price index in all equations, remuneration variables in equations 1 and 3, and the rate of change of real remuneration in equation 2 are significant, showing fairly strong positive and negative effects respectively. It is indicated that a price inflation of one per cent accelerates the rate of change of union membership approximately 0.5 - 0.6 per cent and one per cent increase in average remuneration, in fact, has given a negative effect of 0.3 - 0.4 per cent. The models adopting the Carruth-Disney specification failed to achieve a significant level. This is chiefly because of the insignificance of lagged union membership variables, and exclusion of these variables from equation 1 significantly improved the model performance. However, such a specification does not differ much from the Bain-Elsheikh model.

Generally, model 3 showed different results from the previous two models. In this model, just as the other aggregate studies of union growth, both business cycle variables and the

density term are significant, although poor model performance still indicates the existence of other factors unspecified in the model.

One general conclusion drawn from the re-estimation of existing models in the banking and other financial industries is that, regardless of the level of disaggregation, model performance is generally poor, only 10 to 30 per cent of the variance of union growth being explained. The models leave much to be desired.

In relation to this, a few points can be mentioned. Firstly, the business-cycle variables have limited explanatory power. Much of this decrease in explanatory function probably derives from the disaggregation. The results do not necessarily rebuff the validity of the individual-based theory, but the fact that the price inflation and wage inflation variables, to which the utilitarian explanation has been attached, generally appear as poor predictors of union growth does suggest that the actual explanatory function of it might be rather limited at the levels of aggregation covered in the preliminary modelling. Thus, secondly, it may be emphasised that it is not atomic individuals but those in organisations that are dealt with and much of their observable behaviour may be attributable to institutional changes beyond individual decisions. Nevertheless, it should be noted that certain organisational variables in the models, which do not assume utility maximisation as their intrinsic logic, also seem to have weak

causal influence; many employment variables are statistically insignificant.

Furthermore, all these results do not simply derive from the disaggregation but from specific conditions at each level of aggregation. The business-cycle variables which are insignificant in both the sector and industry-based models appear as significant determinants of union growth at a firm level. Given the consistency of the time-series used in this modelling, it is hard to question the validity of the estimation itself and the explanation has to be found somewhere else. This may relate to the determinants omitted in the models. Thus, the theoretical problem seems to become to see if such determinants can be reducible to individual decisions and, if so, to identify the factors that regulate the decisions. The original field of the business-cycle theory has to be expanded, and empirical research as well as the construction of a robust foundation of sociometrics has just begun.

### Models of Union Growth

In this section, short-run models of union growth are estimated using the same data as in the preliminary models. The models are at two levels of disaggregation; model 2 and model 3. Although it seems to be quite possible to develop the first model, it is not attempted here in order to maintain



consistency with the subsequent empirical analyses. Variables are extended. These include,

P      retail price index  
R      remuneration  
E      employment  
D      nominal density  
NPR    net profit  
STR    strategy variable  
ORG    organisation variable  
FEM    percentage female employment  
POL    percentage Labour MP

Price index, remuneration, employment variables are specified as the rate of change variables. Strategy ( STR ) and organisation dummies ( ORG ) are included to assess the effects of episodic events. The first measures the effects of successful recruitment campaigns and all industry-wide industrial actions organised either by trade unions or staff associations and the latter measures the effect of time-lag in membership swing from N.U.B.E. to staff associations.

At this level of aggregation, specifying such episodic events seems to be indispensable and the following procedure was adopted. Residuals of an ordinary business-cycle model were plotted and the results were compared with the historical experiences in the industry. At least two events appeared as crucial determinants of short-run growth; industrial actions



initiated by trade unions or staff associations and large scale organisational shift of membership which followed the establishment of the Joint Negotiating Council. As the success of campaigns and actions often depend upon the degree of support they get from the employees, the processes require further analysis to examine the conditions which brought about the effects. This is done in the following chapters.

The results of the OLS estimation are shown in Tables 4.1.6., 4.1.7, and Graphs 4.1.1. and 4.1.2. In order to assess the relative impacts of the explanatory variables, normalised equations, which can be obtained by subtracting means and dividing each variable by standard deviations, are also estimated. This enables direct comparison between the estimated parameters, or the beta coefficients, and can be interpreted as one standard deviation change in an independent variable would lead to an estimated standard deviation change in a dependent variable. These results are shown in Tables 4.1.8. and 4.1.9.

It can be seen that the inclusion of the variables that account for episodic events has substantially improved the model performance particularly at the industry level, some 60 to 65 per cent of the variance in the dependent variable being explained. The Durbin-Watson statistics and the Lagrange Multiplier test suggest that there is no significant autocorrelation in the equations. As for the business-cycle variables, the same pattern emerges as in the preliminary models; two economic variables of model 2 are generally

Table 4.1.6. Model 2

Equation	1	2	3	4
Method	OLS			
Period	1952-88			
Constant	-.1281 (-2.7394)	-.1117 (-2.6234)	-.1347 (-3.0940)	-.1228 (-2.7865)
Pt	-.0169 (-.1943)			.0769 (1.1155)
Rt	.0770 (1.2204)		.0716 (1.5377)	
Et	.2366 (1.6974)	.1011 (.8316)	.2526 (1.9748)	.2506 (1.8258)
Et-1	.1921 (1.6320)	.1938 (1.5918)	.1850 (1.6328)	.1839 (1.5800)
Et-2	-.0587 (-.4838)			
Et-3	.3562 (2.6699)	.3420 (2.7342)	.3454 (2.8130)	.3171 (2.5350)

Dt	.0015 (2.8817)	.0013 (2.7472)	.0015 (3.1285)	.0017 (3.0220)
STR	.0440 (5.6382)	.0452 (5.8377)	.0450 (6.2226)	.0463 (6.0847)
ORG	.0388 (2.2757)	.0366 (1.7427)	.0395 (2.5781)	.0412 (2.4947)
POL				-.0006 (-1.0825)
<hr/>				
R2	.7158	.6578	.7129	.7089
-				
R2	.6210	.5894	.6437	.6258
F	7.5543	9.6127	10.2895	8.5250
SER	.0186	.0194	.0181	.0185
D.W.	1.6977	1.6737	1.6669	1.6835
LM.F.	.1000	.1500	.1516	.1030

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t statistics in parentheses

Table 4.1.7. Model 3

Equation	1	2	3	4
Method	OLS			
Period	1949-88			1949-85
Constant	-.0117 (-1.0885)	-.0077 (-.8039)	.0259 (.7657)	.0321 (.4730)
Pt	.5847 (4.0134)	.6058 (4.2405)	.6312 (4.3592)	.6586 (4.2485)
Rt	-.3694 (-3.0615)	-.3901 (-3.3174)	-.3754 (-3.1732)	-.3814 (-2.7393)
Et	.2730 (1.8344)	.2733 (1.8448)	.2661 (1.7958)	.2152 (1.1722)
Et-1	.3847 (2.5484)	.3773 (2.5153)	.3710 (2.4740)	.3353 (1.8225)
Et-3	.1066 (.8369)			
D			-.0013	



			(-1.0354)	
FEM				-.0008
				(-.4822)
STR	.0440	.0429	.0450	.0424
	(4.0808)	(4.0260)	(4.1534)	(3.5788)
ORG	.0689	.0716	.0719	.0645
	(2.5483)	(2.6835)	(2.6970)	(2.2431)
NPR				-.0108
				(-.2422)
<hr/>				
R2	.6015	.5928	.6060	.5958
—				
R2	.5144	.5188	.5198	.4804
F	6.9009	8.0070	7.0313	5.1599
SER	.0263	.0262	.0261	.0268
D.W.	2.0432	2.1721	2.3123	2.4937
LM.F.	.1344	.4425	1.2356	3.3277

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t statistics in parentheses

Table 4.1.8. Model 2

Equation	1	2	3
Method	OLS Normalised		
Period	1952-88		
Pt	-.0293 (-.1927)		
Rt	.1844 (1.2541)		.1720 (1.5862)
Et	.2144 (1.7284)	.1927 (1.6851)	.2285 (2.0055)
Et-1	.1762 (1.6930)	.1761 (1.7158)	.1701 (1.6960)
Et-2	-.0507 (-.4783)		
Et-3	.3180 (2.9577)	.2666 (2.5021)	.3088 (2.8743)

Dt	.3291 (2.9577)	.2893 (2.7981)	.3399 (3.2091)
STR	.5810 (5.7597)	.5813 (6.0847)	.5947 (6.3480)
ORG	.2966 (2.3098)	.3029 (2.5643)	.3013 (2.6122)
<hr/>			
R2	.7165	.6900	.7139
-			
R2	.6356	.6400	.6567
F	8.8474	13.8010	12.4765
SER	.6032	.5995	.5855
D.W.	1.7005	1.7231	1.6708
LM.F	.1075	.0698	.1596
<hr/>			

t statistics in parentheses

\* Parameters are beta coefficients.

Table 4.1.9. Model 3

Equations	1	2	3
Method	OLS Normalised		
Period	1949-88		
Pt	.8190 (4.0756)	.8484 (4.3043)	.7610 (3.5269)
Rt	-.6379 (-3.1090)	-.6736 (-3.3673)	-.5914 (-2.6777)
Et	.2165 (1.8628)	.2168 (1.8726)	.2003 (1.5967)
Et-1	.2990 (2.5879)	.2932 (2.5532)	.2900 (2.3238)
Et-2			
Et-3	.0973 (.8499)		.1337 (1.0889)



STR	.4722	.4601	.4892
	(4.1441)	(4.0865)	(3.9795)

ORG	.2888	.3004
	(2.5878)	(2.7239)

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R2	.6015	.5928	.5207
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R2	.5291	.5329	.4502
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F	8.3027	9.8996	7.3862
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SER	.6862	.6834	.7415
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D.W.	2.0432	2.1721	2.0909
------	--------	--------	--------

LM.F	.1387	.4560	.2823
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t statistics in parentheses

\* Parameters are beta coefficients.

insignificant whereas those of model 3 are relatively firmly determined. In fact, they are the most significant determinants in the latter model; 1 per cent change in price inflation brought about an increase of union membership by some 0.6 per cent, whereas 1 per cent decrease in remuneration is associated with union growth of some 0.4 per cent.

In comparison with this, union growth at the industry level is dominated by organisational factors. Their order of significance in the past thirty odd years may roughly be considered as follows; industrial actions, density, lagged employment and an organisational shift. The presence of industrial actions in the industry has increased total union membership by 0.05 per cent. At the firm level, the strategy and lagged employment variables appear as the next significant determinants, but the two year lagged employment variable has a wrong sign and three year lagged variable is statistically insignificant. Density, feminisation and real net profit variables are also statistically insignificant.

There are at least two problems; a) the differences in the function of the economic variables in the two models, and b) changes in the function of the economic variables. The first thing that should be reconsidered is the inconsistency of the remuneration series in the first model. However, it is rather unlikely that this caused the differences between the two models, as the variable was dropped from some of the former. To reaffirm this, two procedures were undertaken. One is to run

the first model over a shorter sample period between 1956 and 1988, which will eliminate the least reliable part of the series between 1948 and 1955. Another is to replace a part of the series with an accurate and consistent remuneration series that is obtainable after 1969 from the report and accounts of each enterprise, and to compare the results obtained with the original model. This new remuneration series will also be used to measure the effects of structural changes in the industrial relations system in a subsequent chapter.

The results of the first test suggest that no significant changes in the overall pattern of the estimated coefficients can be observed. Although the standard error of the regression coefficient dropped marginally ( .0006 in a non-normalised equation ), there was no change in the order of the regression coefficients of the variables that were statistically significant. Both economic variables had the same signs and their t-ratios dropped marginally. Those of the second tests show that, although much shortened sample periods brought about some changes in the order of regression coefficients, differences between the equations with two sets of remuneration series were few. Two business-cycle variables, namely retail price index and remuneration, were statistically insignificant with the same signs, and the three year lagged employment variable had a strong impact upon union growth. In fact, the accurate remuneration series caused a slightly drop in its t-value. These do not prove the nonexistence of possible errors,



but nevertheless show that the series taken from the New Earnings Survey serves as a tolerable alternative.<sup>22</sup>

From these results, and also from the fact that the price inflation variable that had the minus sign was statistically insignificant in any of the first models, it seems reasonable to confirm the earlier observation; although the business-cycle variables have significant explanatory power for the institutional model, union growth in the major clearing banks is, as a whole, governed by organisational factors.

However, this, of course, means neither that the economic variables have played no role nor that the utilitarian theory fails. Organisation variables may be predominant whereas certain effects of business-cycle variables exist, because a) the function of them is directly disrupted by organisational or institutional changes and actions, or b) a structural shift is caused by some factors, which changed the behavioural patterns. Factors of the first case may include structural changes in employment, recruitment campaigns and industrial action by trade unions, and the establishment and dissolution of the national machinery. The model includes only the second factor in a rather arbitrary way. Furthermore, the banks and unions in the former category underwent a series of institutional or organisational changes, whereas the failure of the triple merger towards the end of the 1960s left Lloyds Bank intact as an historically consistent entity.

The second case is also likely, as a positive correlation of .1335 between the rate of change of membership and that of the



retail price index between 1949 and 1967 turns into a negative correlation of  $-.1521$  between 1968 and 1988 at the industry level. The same process is also observable in the institutional series where it changes from  $.2457$  to  $.1775$  respectively, although it retained the same sign. This correlation between the B.O.G. membership in the bank and retail price index was  $.3489$  between 1922 and 1944. Thus, overall relationships of the two variables can be somewhat similar between the two models and, even if the effects of the war are considered, the pattern of the change may be described as a movement away from the business-cycle processes.

Two tentative explanations of this may be possible. The institutional development of the representative bodies and the industrial relations system in the industry would be one and certain changes in the function of economic factors the other. The first case will be examined in Chapter 7. As for the second case, the oil shock in 1973, for instance, caused a deterioration of the economy and it was in the beginning of the 1980s before industrial production began to increase again. The presence of stagflation means that the threat effect may exist in this period, but the hypothesis that this increases the utility of union services may not hold any more, and this may have lead to a change in the function of the economic variables.<sup>23</sup>

A weak or reducing function of the business-cycle variables does not imply that the utilitarian theory fails, either. If, for instance, strategic actions with only a slim support of a

militant fringe rarely succeed, at least in terms of a membership effect, mass support based upon a shared experience has to be obtained. Thus, strategic factors can be considered, at least to a certain extent, to be capturing the increased value of union services. As will be seen in the subsequent chapters, union growth associated with an unstable situation in the conditions of employment caused by, say, bank mergers, may provide an example.

Another empirical result that emerges from the models is the fact that, even if the rivalry effect is controlled, the strategy variable remains highly significant. This means that, as there has been only one industrial action in 1987 which was organised by both Bifu and the staff unions, increases in membership at the times of mobilisation derives more from the non-organised section of the labour force than swings between unions. The extent of the such influx may be estimated by excluding the strategy variable from the equations and comparing the results with the original prediction. This suggests, for instance, union growth in such years as 1983 and 1987 may have been around 4 per cent lower if it had not been for the industrial action.

## 2. Long-term Growth

As explained before, business-cycle models exploited in the previous section essentially detect the annual fluctuation of union growth. The effects of long-term trend factors have naturally been present in the data that we have dealt with, but their effects may be far weaker than the business-cycle and other organisational variables in the annual data. The former often brought about the growth rate of well over 10 per cent in many years, whereas an average growth rate rests somewhere around 3 per cent. The effect of a single trend factor would fall below this. In order to understand the total phenomenon, structural factors of union growth have to be examined.

### Factors of Long-term Growth

Factors which have been assigned to be determinants of long-term union growth are classified for the sake of presentation into two broad categories; labour market or industry characteristics, and other organisational factors. The former category mainly relates to the structure of the labour market and may include female employment or the nature of labour market segments, conditions of employment, age composition, area composition, turn over rates, firm size and bureaucratisation. The latter includes those factors that



associate with, mostly external, organisational conditions of union activities, many of which are quasi-independent from the labour market structure, and employees' attitudes; union organisation, employers' attitudes, collective bargaining and the socio-legal framework. Expected effects of these factors have already been discussed in Chapter 2 and unnecessary repetition is avoided.

The former factors that relate to the labour market structure may function via two processes; historical changes in the conditions of employment and compositional effects. Division of employees according to market segments enables us to separate out the shared socio-economic situation and thus, enables to infer the subjective logic of action they would take in the context, given that such an action derives rather from utilitarian considerations than from specific preferences. Furthermore, naturally, the nature of such situation is not historically stable but is subject to transformation. Wertrational action is in any case present and can be an object of survey. Systematic differences in the aggregate actions of those in different market would also bring about changes in overall membership patterns as relative significance of the segments changes historically.

Firm size, for example, approximates the closeness to the authority structure of an organisation and a necessity of collective bargaining as a means to regulate the conditions of employment, whereas bureaucratisation can both signify the same process and deter unionisation by creating competitive



aspirations for individual bargaining. Historically, female employment has been associated with the secondary labour market that is characterised by little skill requirement, repetitive tasks, a lack of mobility chains and high turn over rates.<sup>24</sup> Although recent research suggest that the prevailing custom in modern business organisations would generally allow such an identification of the personal attribute with a position in the market structure, a possible discrepancy might lead to another categorisation that depends purely upon the type of labour market one participates in.

Some sociologists have argued that an increasing division of labour and degradation of work make the social and economic conditions of the employees in the secondary market similar to those of manual workers. This is the situation in which class oriented consciousness tends to emerge, which would facilitate the development of unionism reminiscent of the manual version.<sup>25</sup> Social mobility has also been referred to, as major mobility studies reveal increasing number of employees moving from the manual strata into the service or the clerical strata, which may accompany a transfer of the established value.<sup>26</sup> Neo-Weberian sociologists like Lockwood, on the other hand, considered that the environment of an 'office factory', which may be characterised by low commitment to work, the lack of tight primary group ties and bureaucratic treatment by the employers, has facilitated a pattern of consciousness that are oriented towards salary and consumption without a strong sense of affiliation.<sup>27</sup>

Some of the sociological approaches have failed to adequately provide a solid foundation of individual actions. The inference concerning the relative deprivation of external conditions, for instance, can amount to the argument that one takes an action regarding a historical tendency of the narrowing difference between him and a manual worker. Subjective orientation can also be questioned as intrinsic motivation of the social action. Although Lockwood's argument is more realistic, it says little about actual expected density amongst a certain genre of employees. In short, what it requires is evidence that prove the alleged causation.

Concerning the nature of the secondary market in the industry, at least three features should be noted; the proximity effect and the existence of a 'structured' secondary market; the relative stability of employment; the function of social custom. One of the features of secondary markets in the service sector is that they commonly exist and function as an integrated part of the dominant primary market. Employees in the secondary sector are not physically segregated from those in the primary sector but often work within the same sphere, thus enabling them to be more aware of the immediate aims of their role, the result of which is an integration of these employees into the dominant value system. This is an adverse example of the original 'proximity' effect proposed to explain the expansion of unionism amongst those white-collar staff who are constantly in touch with unionised manual workers.<sup>28</sup>

Such a characteristic of secondary sector employment makes a marked contrast with manual employment where the management and shop floor workers are often physically separated and connected only by intermediate strata like foremen. The crucial segregation in the function of tasks in the system of the division of labour found in the manual sector is somewhat ambiguous in the service sector. Such a situation may hamper an emergence of the type of a union-based 'social custom', which some manual unions have succeeded in establishing in work places. Or when it does emerge, as in banking, it may at the same time inherit the characteristics of the organisation where a normative pattern can be significantly influenced by those at the top of a work group. This aspect of secondary sector employment in the private service sector may be reinforced by the fact that most of such markets also have some developed internal structure, classified and segregated into grades.

The second point that should be mentioned is relative stability of employment in thus 'structured' secondary markets. With some exceptions, employment in major banks has been historically stable and it is only recently that redundancy has come to be a problem. This may eliminate one crucial aspect of the utility of union services, security, from this specific sample. As will be seen in the subsequent chapters, there is ample historical evidence which suggests that, quite apart from the existence or non-existence of class oriented consciousness, menace to job security can be a major source of union growth.<sup>29</sup>



The third point is that employment in the secondary sector has generally been held by women. The general propensity to unionise amongst female employees is substantially low in comparison with their male counterparts and at least a certain part of this derives from the expected role which the 'second sex' plays in the societal division of labour outside the labour market. This constitutes a subjective aspect of causality and it has been seen in Chapter 2 that the weak labour market attachment would systematically decrease the utility of union services.

The consequent high turnover rates also represents an objective limit of the propensity to unionise. This factor seems to have functioned more in a long-term than a short-run context, as, although preliminary regression models did not detect an immediate influence of the variable upon short-run union growth, a historical tendency does seem to exist. All these may be the answers to a question; why, despite increasingly similar conditions of employment with manual workers, do the employees in the secondary sector take different social action from them?

#### Determinants of Long-term Growth

Much of the growth in white-collar unionism after the war derives from increases in employment. The banking industry is



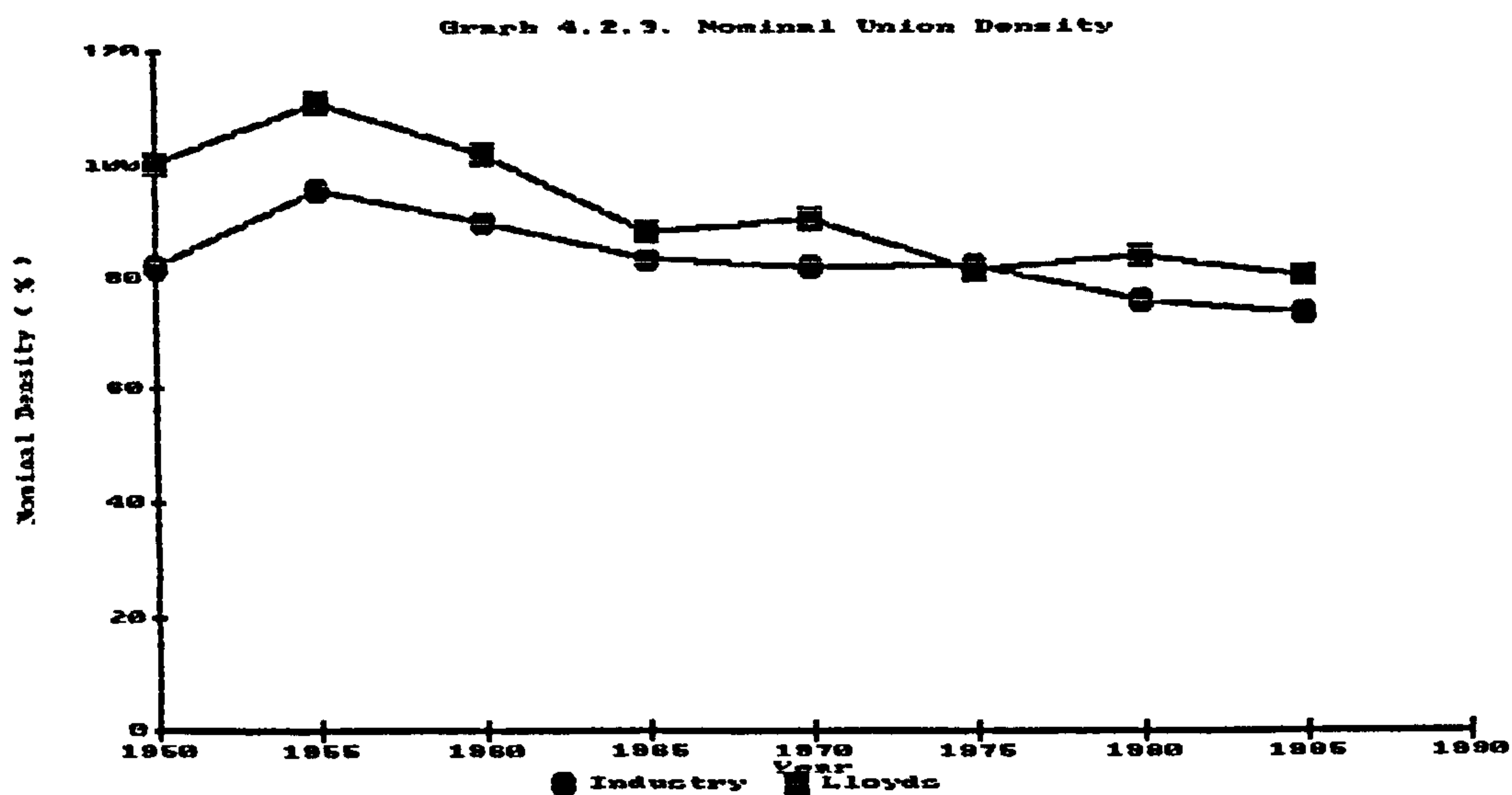
somewhat atypical in that union growth generally lagged behind that of employment. Graphs 4.2.1. and 4.2.2. show the trend at two levels of aggregation. Graph 4.2.1 depicts total union membership including both Bifu, and staff associations and unions in the four major clearing banks and those merged into them.<sup>30</sup> It can be seen that the proportion of union membership ( T.M ) to employment ( E.M ) has generally been decreasing, despite the continuous growth of union membership. The same tendency can be seen in the graph at the firm level, in which employment ( L ), union membership ( TU.A ) and Bifu membership ( BIFU.A ) between 1920 and 1989 are plotted.

    This inability of trade unions to match growth in

Table 4.2.1   Average Growth Rates

	Employment		Union Membership	
	clearing banks	Lloyds	clearing banks	Lloyds
1922 - 44		.0107		.0046
1948 - 59	.0209*	.0184	.0297*	.0224
1949 - 67		.0294		.0239
1960 - 89	.0345	.0366	.0255	.0253

\* Figures exclude Midland Bank. Lloyds figures in the second and the last rows cover 1949-59 and 1960-88.



employment, which has also been pointed out by Bain, derives from a few factors.<sup>31</sup> An obvious reason is the existence of management-backed, often compulsory staff associations in major banks since the 1910s, which pushed up nominal union density as high as 100 per cent in 1948. This process can be confirmed from historical changes in the average growth rates of employment and union membership ( Table 4.2.1.) and nominal density ( Graph 4.2.3.). Note that density figures are not allowed for pensioners and dual members. In 1948, for instance, nominal density of the Guild and the association in Lloyds bank was over 100 per cent for both male and female employees. However, if pensioners being assumed to be 15 per cent of a

membership and 10 per cent of the rest of them are dual members, the estimated total union membership in 1948 becomes 12,827 and hence, density of the union and the association in the bank is approximately 78 per cent, a substantially lower figure but still may be reasonable to assume the function of the saturation effect.

Long-term union growth in the industry and the institution after the war may be characterised in density by three phases. The first phase saw a relative increase in membership which continued from 1948 until the mid-1950s. This brought about a peak density around 1955. The second period stretches from the mid-1950s till the mid-1960s when union and association density substantially decreased. The third phase is characterised by equilibrium, or a gradual decline, in nominal density.

The increase in the first phase mainly derives from that of male employees. Graph 4.2.4. depicts the historical shift in nominal union density in Lloyds Bank with a male and female breakdown between 1948 and 1968. Unfortunately the breakdown of the Bifu membership series is not available thereafter and estimated series are shown.<sup>32</sup> Male nominal density in Lloyds, which was 102 per cent in 1948, achieved a peak in 1957 of 131 per cent. Female density during this period decreased from 103 per cent to 87 per cent and its early decrease may reflect both the lingered effect of the war and the re-start of the expansion of the secondary market, as turnover rates of female staff at the end of the 1940s were still exceptionally high.

The growth in male nominal density seems to have been caused mainly by an organisational rather than a behavioural factor because, despite a rapid increase in female employment, the number of male employees was decreasing in absolute terms. Thus, if this period is excluded, male density might have been relatively stable. This may also relate to age composition in the enterprise, but no definite evidence is obtainable.

If conditions of employment and hence propensity to unionise in each market segment held constant, the process of degradation in skill requirements is solely expressed as a transfer of certain parts of jobs in the primary sector into those in the secondary, which would cause a negative compositional effect upon union growth. Under the assumption that the sex distinction represents market segments, the nominal density figures in 1950 were, for instance, 105 per cent for the primary market and 93 per cent for the secondary market respectively. Simple calculation suggests that union membership in 1980 would be some 40,700, which is in nominal density 98.2 per cent. If it had not been for the shift in the labour market composition, union density in the same year would have been 41,600 or 100.4 per cent, whereas actual union membership and nominal density were 34,818, or 84.0 per cent. Thus, the compositional effect would have brought about a negative effect of a few per cent and actual density was some 14 per cent lower than this.<sup>33</sup> Much of this seems to derive from a decrease in propensity to unionise amongst female employees during the second phase.



The decrease in female union density largely goes against the sociological assumptions, most of which have been developed to explain the increase of it. The rapid expansion of the secondary market throughout the 1960s and 1970s may have increased the 'white-collar proletariat' but did not increase the proportion of female employees who were in the unions. Heritage had already questioned the validity of the proletarianisation thesis when he demanded evidence in relation to the effects of office automation.<sup>34</sup> Similarly, the average annual growth rate of employment in the bank was 2.94 per cent between 1948 and 1967 and 3.36 per cent between 1968 and 1988. Thus, firm size and the degree of bureaucratisation had been obviously increasing, even if there had not been that much change in the work unit size. Nevertheless, it should be noted that both the decline in density and equilibrium after the mid-1960s are overall outcomes of often contradictory factors.

One possible explanation to this decline in female density is to associate it with the breakdown of the pre-war industrial relations system. Many staff associations had an automatic membership system that continued until 1940. Lloyds' association was one of these, which obviously made the early nominal density very high. This particularly seems to have been the case of female employees in the bank, 80 per cent of them being staff association members in 1948. In comparison with N.U.B.E.'s female density, which had fluctuated at around 15 per cent between 1948 and 1967, the staff association's nominal female density almost continuously declined from 81.9 per cent

in 1948 to 29.5 per cent in 1971, after which it has stagnated, thus pulling down the overall union density in the bank.

If this relative decline of female membership originates in the breakdown of an industrial relations system, why did the process take such a long time to achieve a new equilibrium level? And why is the decrease in the association's density less conspicuous amongst male clerks? Although absence of crucial information to build a stock-flow model does not allow us to consider the situation in dynamic terms, certain hypotheses can be made. One is to argue that this period saw a gradual decline in a social custom existed in branches. The function of such a custom has often been observed by researchers. Blackburn, for instance, wrote that,

"A new sub-manager was appointed and later on a new manager, who had previously been manager at ( pro-staff association ) branch c. Here, there was a considerable growth of support for the staff association, the proportion of membership increasing from 22 to 76 per cent, with two-thirds having joined at the branch in the interval. The final burst of recruitment occurred about the time the new manager arrived from branch c, with several clerks joining in the space of a few days."<sup>35</sup>

Membership was an institutional obligation before the second world war and it was the Arbitration Order that downgraded this to a voluntary act which, in 1948, was still obeyed by most employees. However, a custom would be actively followed only in

three cases; when there is a collective means to enforce it, when it provides incentives to do so, either in pecuniary or in non-pecuniary terms, or when one's orientation values it. For a substantial number of female employees who had newly joined the labour market, this was probably not the case.

Behind this was also a gradual increase in turnover rates that the expansion of the secondary market and, possibly, a general change in the normative system of the society at large brought about. The labour market was becoming increasingly fluid, which obviously increased the attrition rate. Data from the bank indicates that the turnover rate of 14.0 per cent for women in 1950 became 22.5 per cent in 1966, suggesting a weakening labour market attachment amongst female employees.<sup>36</sup> This decreased the utility of union services for individual employees and made recruitment more costly for union organisations.

Thus, consideration in the two sub-periods suggests that the effects of at least three factors may have been important determinants of trend growth; a composition effect that followed a shift in the labour market structure, a change in social custom and an increase in turnover rates. Expansion of employment in the secondary market rather pulled down overall density, whose process was furthered by a gradual breakdown of social custom, deriving from a change in labour legislation and hence, the industrial relations system. Evidence which supports the stratification approach is not prominently observed and the



same can be said about the experiences of the industry in the third period.

The post-war period has seen marked changes in the industrial relations system. Character of staff associations had changed from management-backed bodies for social interaction to trade unions. There was a series of changes in the institutional arrangements of the system in 1969, 1978 and 1987, the first of which also symbolised a change in the employers' attitude. However, there is not much evidence to argue that these events caused a structural change in the trend of union growth comparable with 1940. As will be seen in Chapter 6, the effect largely appeared as inter-organisational. Rapid growth of the B.G.S.A. between 1970 and 1973, for instance, caused a relative decline of N.U.B.E. and the trend of overall union membership was almost constant, being dominated by an increase in employment and expansion of the secondary market.

The location of 'class consciousness', or other ideological reasons for an action, can be problematic, as a utilitarian-theory based explanation would largely ignore the role of Wertrational actions in the aggregate, long-term processes. The approach is tenable only when it approximates to the intrinsic logic of ordinary actions. Blackburn's attitude survey in the mid-1960s may illuminate the process. His results suggest that 7 out of 79 clerks who were in a representative body gave an ideological reason of joining N.U.B.E. or staff associations, 3 a practical reason and another 3 a financial reason. On the



other hand, 17 out of 38 who had ideological reasons not to join replied that they did not do so because they ideologically disliked unions.<sup>37</sup> Thus, in this case, 91 per cent of decisions to join were taken according to some pragmatic ground and some 9 per cent did so from active commitment, which is probably the reason why the utilitarian inference holds as a reasonable approximation for the social action.

Ideological commitment is often attributed to early socialisation and learning. The former relates to social mobility and, as mentioned in Chapter 2, there is some correlation between social origins of employees and propensity to unionise. Similarly, in so far as 'classes' remain as a social reality, a social value which aims to transform the situation may be simultaneously perceived. Although, apart from certain exceptional periods, 'intellectual radicalism' does not seem to have had much influence in the academic institutions in England, a movement like the 'Broad Left' group in the financial industries may have its origin in this sphere of reality. Nevertheless, it seems to be worth noting that the logic of social action is always here.

1. Burkit, B and D.Bowers. 1978. 'The Determination of the Rate of Change of Unionization in the United Kingdom: 1924-1966'. Applied Economics, 10. 165.

Generally, the variable has been specified as the level rather than the rate of change, as in Hines (  $R_{Pt}-1/2$  ) or in Sapsford (  $R_{Pt}$  or  $(RP/RPI)_t$  ). Burkit and Bowers wrote,

"the size of current profits governs both the eagerness and the ability of workers to squeeze higher wages from employers . . . the existence of a high profit level may stimulate greater union membership at a given current union wage push. ( *ibid.* 165.)"

2. *Ibid.* 162.

3. Ashenfelter and Pencavel, *op.cit.*

Ashenfelter and Pencavel adopted lag structure on the ground that,

"workers are reluctant to leave unions immediately when employment is declining both because of social and political ties and for economic reasons such as a possible assistance in finding re-employment that unions have sometimes provided. . . in addition, union membership figures sometimes include as members workers who have temporarily stopped paying dues because they are unemployed."

Given employment stability in the industry under study, most of this reasoning may not hold in this research.

4. Ashenfelter and Pencavel, *op.cit.*, 437.

5. Mills, C.W. *op.cit.*

6. Richardson, R. 1977. *op.cit.*

7. In Bain's words,

"the less recognition employers are prepared to give a union, the more difficult it is for the union to participate in the process of job regulation and thereby demonstrate to employees that it can provide a service for them. In such circumstances not only are a

large number of employees not likely to join unions, but many of those who have already done so are likely to let their membership lapse because the return they are getting on it is insufficient. ( Bain, G.S. 1970. op.cit., 123. )"

8. Ibid., 181.

9. Bain, G.S. and F.Elsheikh. 1976. op.cit. 79.

10. Booth, A. 1983. op.cit. 385.

11. Ibid. 381-382.

12. Ashenfelter, O and J.Pencavel. 1969. op.cit.

Hines, A.G. 1964. op.cit.

13. The rate of change variables are defined as

$$( Z_t - Z_{t-1} ) / Z_{t-1}$$

and lower-case letters in CD specification denote logarithm.

14. Price, R and G.S.Bain. 1983. op.cit.

15. Data maintained at the I.R.R.U., Warwick University.

16. It is not impossible to construct the series directly, but a number of alterations of SIC and data collection methods have made it a time-consuming and difficult process. For major changes, see Buxton, N.K. and D.I.Mackay. 1977. British Employment Statistics, Basil Blackwell, Oxford.

Department of Employment. 1975. 'New Estimates of Employment on a Continuous basis, Employees in Employment by Industry 1959-73', Department of Employment Gazette, 193.

17. It is defined as, unemployed/ ( employed + unemployed ) \* 100. The industry to which a wholly unemployed person is assigned is that in which he was last employed for more than three days.

18. The following banks and those absorbed by these banks are included in the models unless otherwise mentioned.

National Westminster Bank

Barclays Bank

Lloyds Bank

Midland Bank

( former ) Williams and Glyns Bank

19. Three separate series, namely Bifu ( N.U.B.E. ) membership, staff associations' and unions' membership, and employment data are compiled so that they are consistent with each other.

20. For instance, in the case of Lloyds Bank, estimated correlation coefficient between Pt and REM is .9964, correlation of rate of change variables is .6607 between 1948 and 1985.

21. This is due to the availability of the data.

22. The latter result is shown here. The specification, which may not be printed out here, is the same as other equations. Estimation period is between 1969 and 88.

$$T = -.1233 \text{ Constant} + -.1105 \text{ Pt} + .0994 \text{ Rt} + .1911 \text{ Et} + .3385 \text{ Et-1} + .2411 \text{ Et-2} + .6726 \text{ Et-3}$$

(-1.8176)	(-1.1133)	(1.2731)	(1.1697)	(2.4555)	(1.7543)	(4.2816)
-----------	-----------	----------	----------	----------	----------	----------

$$+ .0012 \text{ Dt} + .0445 \text{ STR} + .0228 \text{ ORG}$$

(1.4617)	(3.4297)	(1.3134)
----------	----------	----------

$$R^2 = .8343 \text{ ( .6851 )}$$

$$F = 5.5927$$

$$\text{SER} = .0155$$

$$\text{D.W.} = 1.7444$$

23. However, this period saw increases in real remuneration in the industry, which may have had the effect that is envisaged in the theory. This is shown in the table. Performance of the banks and the function of the national machinery as a regulator of the pay standard may



have affected this. The rates are calculated as the rate of change in remuneration - that of the retail price index and include estimated figures ( \* ).

Table 4N.1. Average Growth Rates of Real Remuneration

	Major Clearing Banks	Lloyds
1949-69	.0098*	.0035
49-73	.0123*	.0097
74-82	.0290	.0216
74-88	.0345	.0255

24. Doeringer, P.B. and M.Piore. 1971. op.cit.

25. Crompton and Jones wrote,

"we have argued that one important factor, among others, that has contributed to the recent expansion of white-collar unionism has been the objective change in the class situation, broadly conceived, of many white-collar workers. . . the rationalisation and 'deskilling' of white-collar work which has been accompanied by an increasing lack of job security, declining conditions of employment relative to manual workers, and so on. . . . despite our caution in predicting a direct relationship between objective class location and patterns of trade-union membership and behaviour at the organisational level, we would not expect there to be no association whatsoever. ( Crompton and Jones. op.cit. 178-179.)"

26. Goldthorpe et al. 1987. Social Mobility and Class Structure in Modern Britain. Oxford: Clarendon.

27. Lockwood, D. 1966. op.cit.

28. Shister, J. 1953. op.cit. Lockwood, D. op.cit.

29. Such effects of employment stability may be observable clearly in the cases of bank mergers; union growth prior to the formation of National Westminster Bank in 1969, that in Trustee Savings Banks which underwent a series of mergers particularly in the 1970s, and a recent example of Williams and Glyn's Bank before the merger with the Royal Bank of Scotland in 1985.

30. The data are those used in the estimation of short-run growth models ( Model 2 ) and include present Barclays, National Westminster, Lloyds and Midland Banks.

31. Bain, G.S. 1970. op.cit. In the wider banking, insurance and finance industries, union density has been continuously increasing.

32. The estimation was done assuming that the male/  
female composition of Bifu membership roughly corresponds with the institutional series. The correlation coefficient between male members of Bifu and those in Lloyds was .8773 ( 1948 - 68 ) and that of female members was .9428. The estimated series were then combined with staff union series to calculate the nominal density.

33. Four rows in the table indicate following cases. Taking 1950 as a base year,

Case 1; male/ female proportion (.65/.35 ) and density (1.05/.93 ) constant.

Case 2; male/ female proportion (.65/.35 ) constant.

Case 3; male/ female density (1.05/.93) constant.

A.M.; actual membership.

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year	1950	1960	1970	1980
Case 1	16670	21190	31850	41780

Case 2	16670	23080	32240	38700
Case 3	16600	20820	31140	40690
A.M.	16580	21470	28590	34920

Fitting simple linear trend models, the coefficient of time trend in the union growth equation is 588, whereas that of case 2 is 703.

34. Heritage, J. 1980. op.cit.

Heritage, J. 1982. 'Feminisation and Unionisation: A Case Study from Banking'. University of Warwick, mimeo.

35. Blackburn, R. 1967. op.cit. 207.

36. Lloyds Bank. Winton file. Female turn over rates are reproduced here.

Table 4N.2. Turn Over Rates ( Female )

1933	34	35	36	37	38	49	50	51	52	53	54	55	56	57	58	59	60
6.5%	7.5	7.4	9.5	11.3	8.8	21.4	14.0	15.3	10.7	10.9	12.8	14.9	16.5	17.2	16.2	18.4	21.5
1961	62	63	64	65	66	67	68	69									
22.2	18.6	17.5	19.1	19.4	22.5	25.0	25.8	28.0									

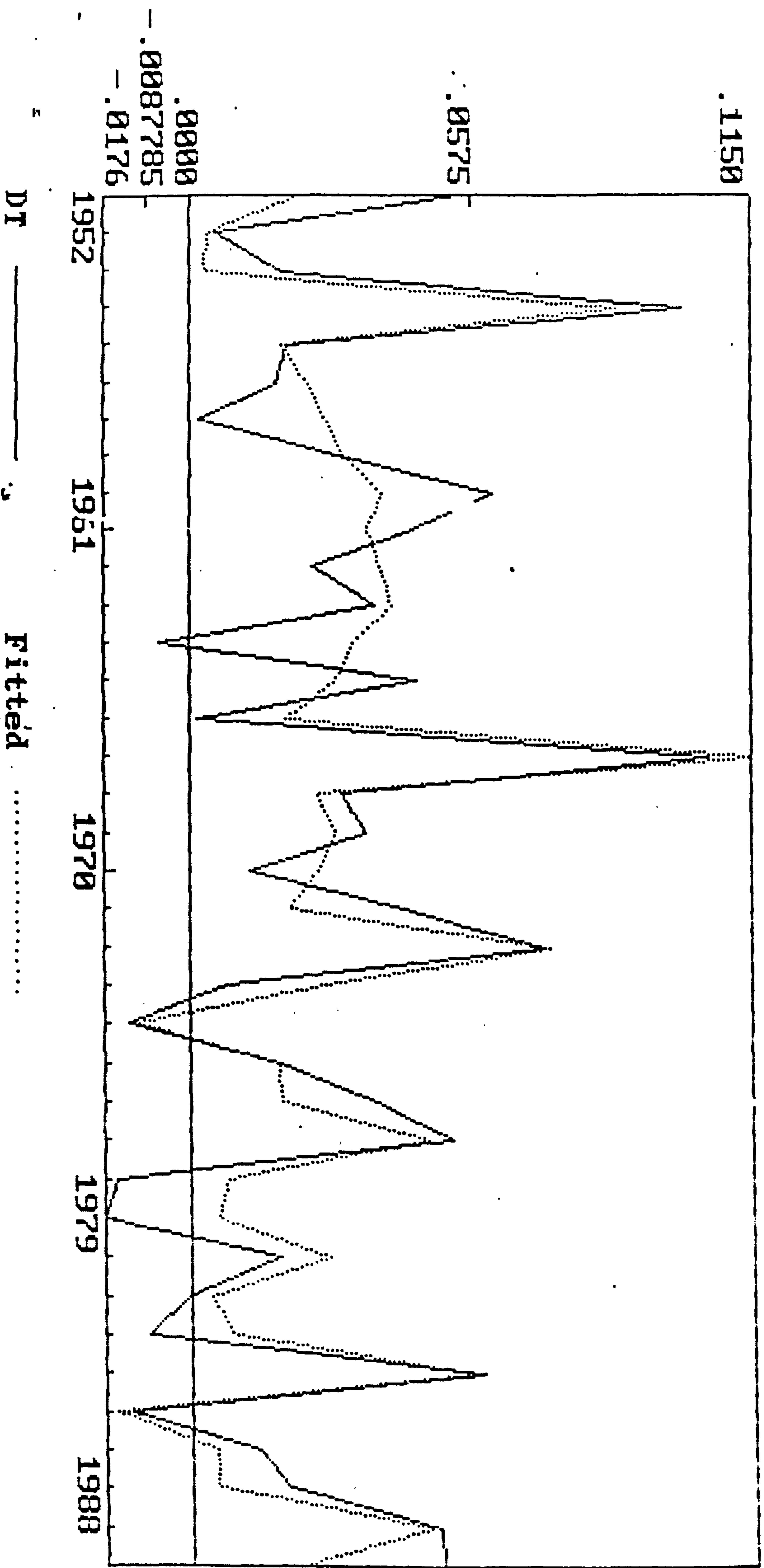
A single regression model run between 1949 and 1969 suggests that a point increase in turn over rates decreases female density by -1.56 per cent.

37. Blackburn, R. 1967. op.cit. 207-223.

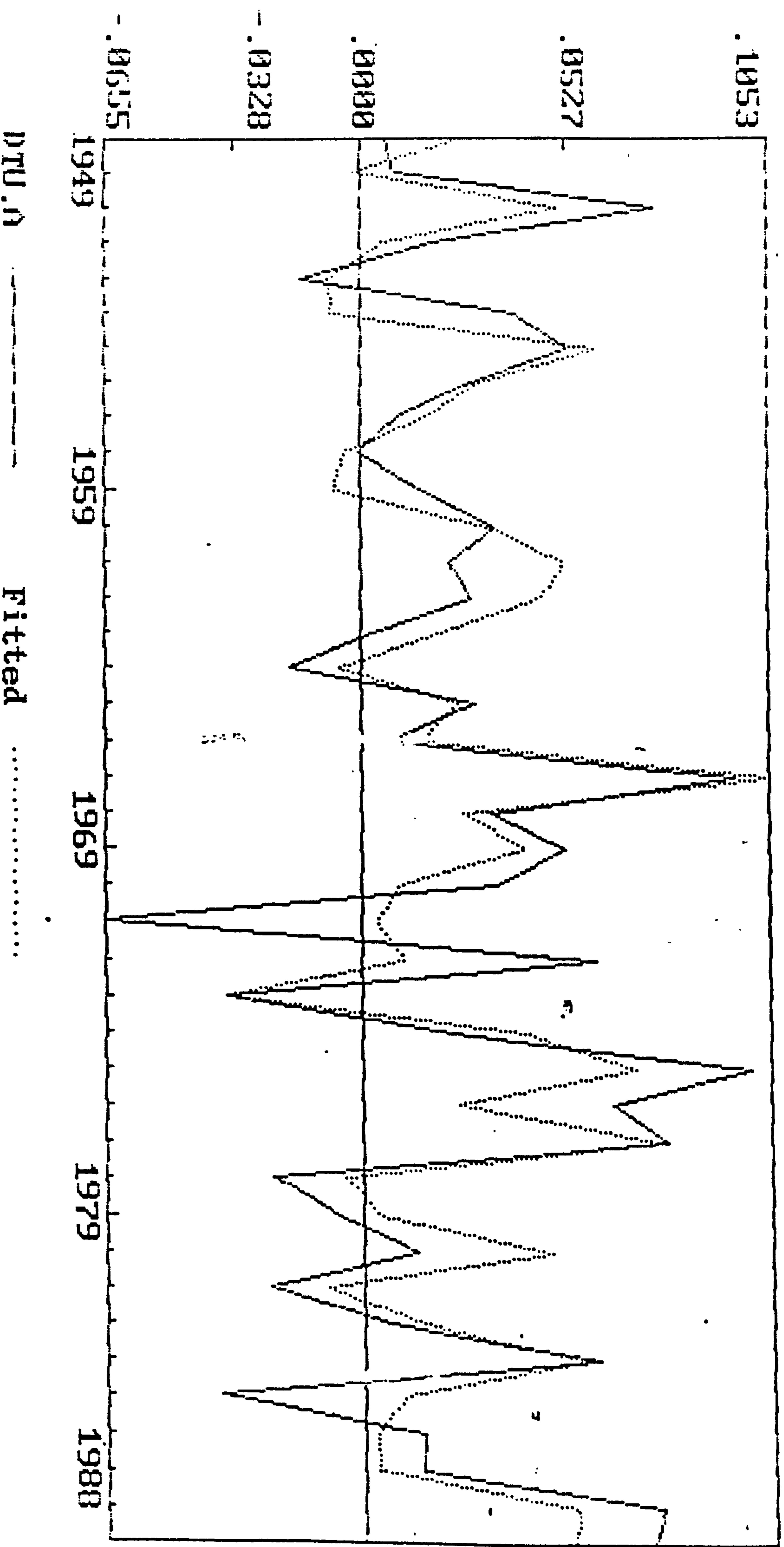
'Ideological' is 'principled acceptance of trade unionism or internalism, particular aspects of an organisation's character. ( 208 )'



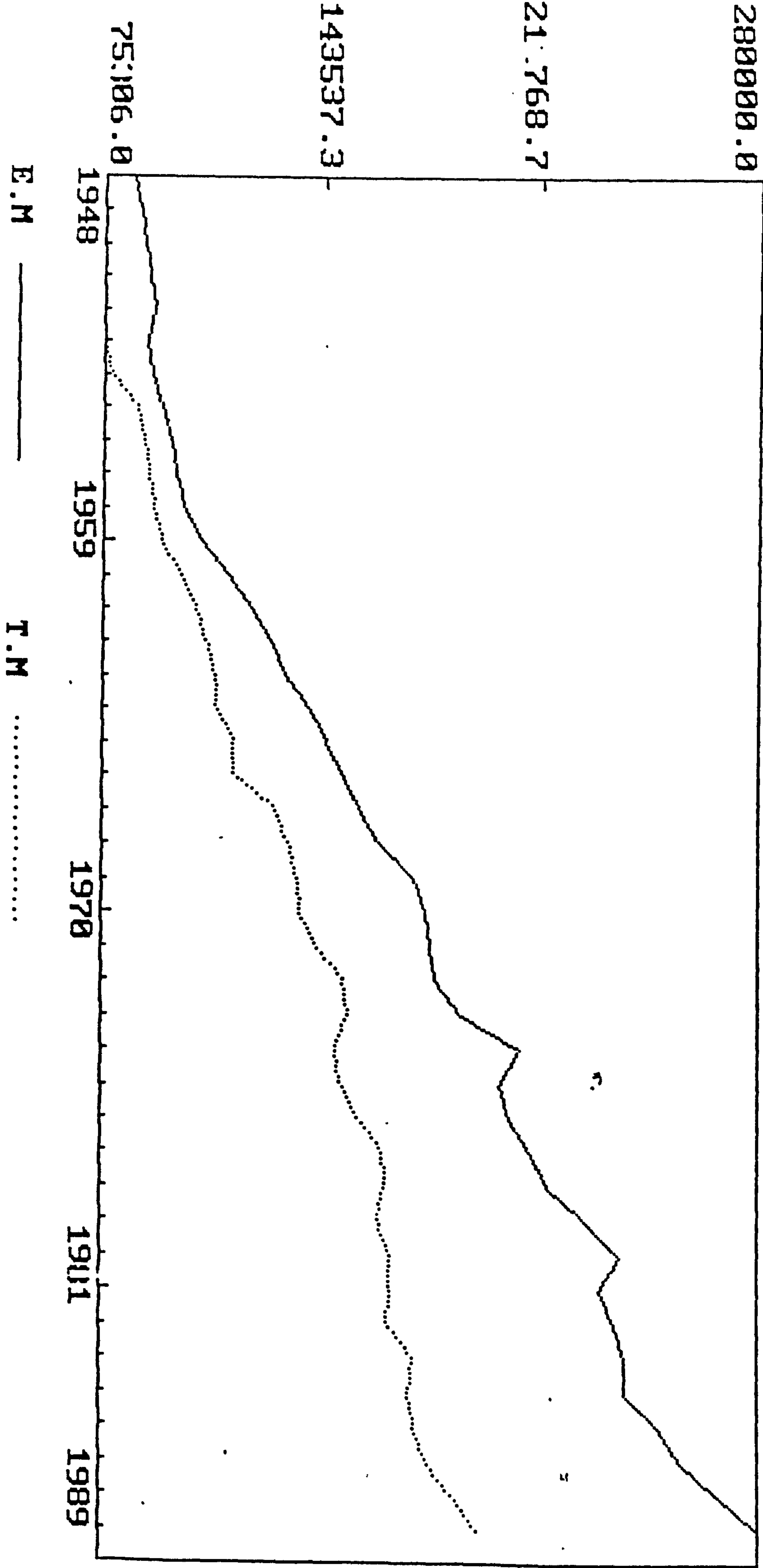
Graph 4.1.1.1 Union Growth ( Model 2 )



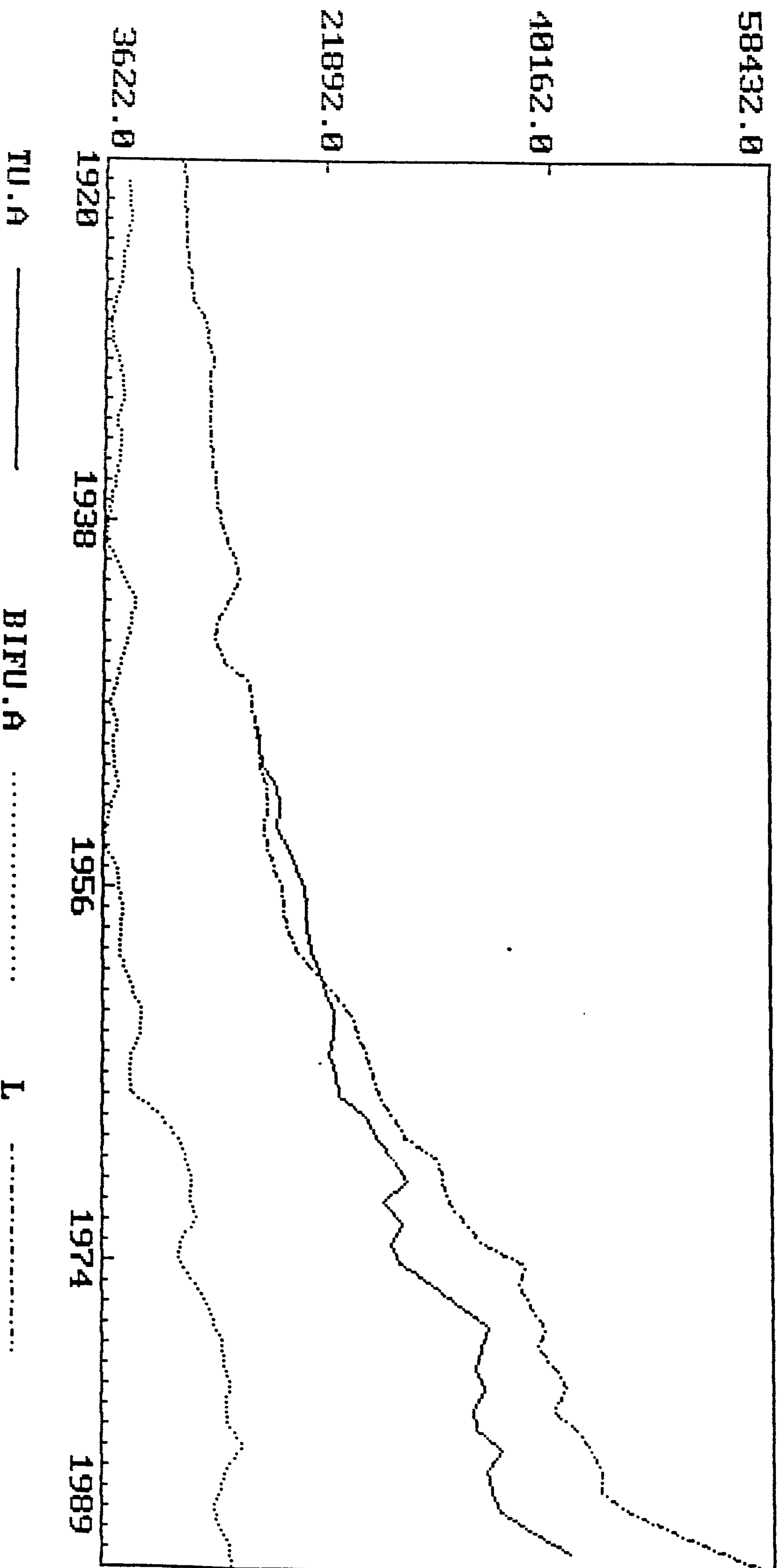
Graph 4.1.2 Union Growth ( Model 3 )



Graph 4.2.1 Employment and Long-term Union Growth

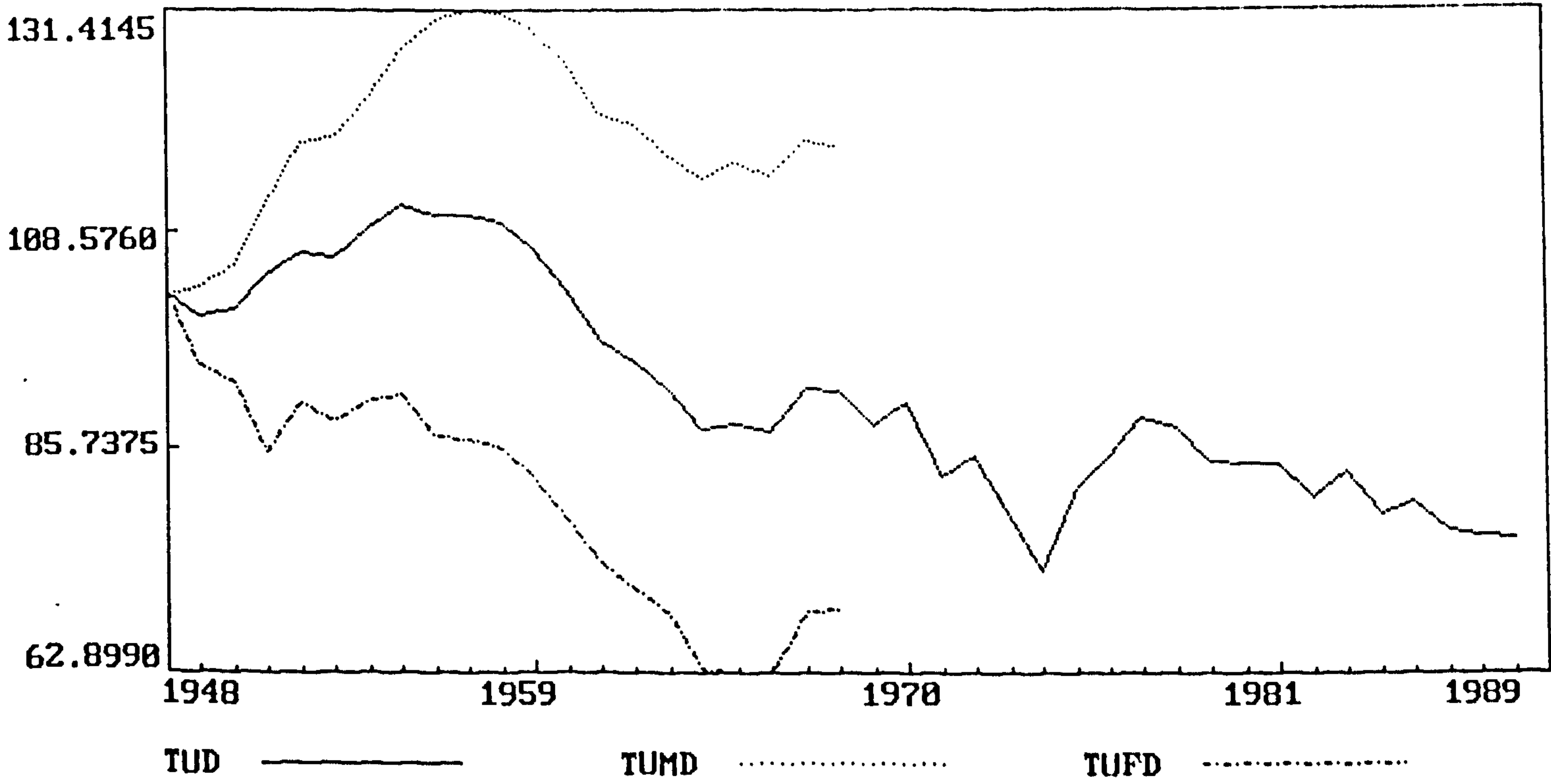


Graph 4.2.2. Employment and Long-term Union Growth

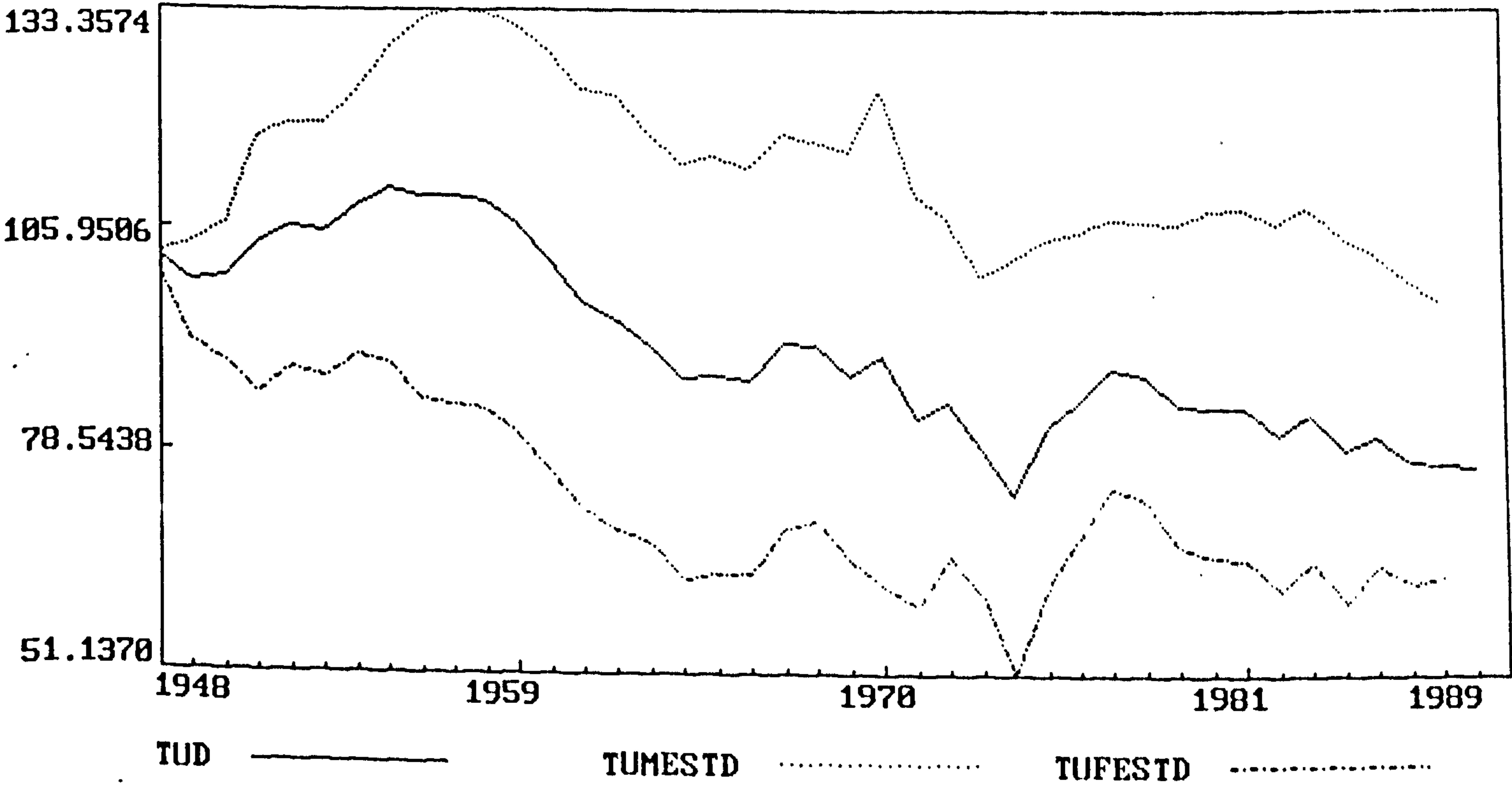




Graph 4.2.4 Nominal density ( Lloyds M/F )



GRAPH 9.2.6 ESTIMATED NOMINAL DENSITY ( LLOYDS M/F )



## 5. Origins of the Industrial Relations System

Chapters 5 and 6 provide an analysis of the historical growth of staff representation and the industrial relations system in the banking industry. Approximately 80 years, from the formation of the first staff representative body in the 1910s up to 1990, are divided into two periods, and this chapter deals with the first thirty years before the second world war with particular emphasis upon the growth of the Bank Officers Guild, a forerunner of the Bifu, in a clearing bank.

These chapters are written in much the same way. The first part provides a brief description of the development of the staff representation and industrial relations system in banking. The purpose of this part is twofold. Firstly, it provides a basic understanding of the historical development of the industrial relations system. Secondly, it serves as an operational framework in which the time-series models of union growth are estimated.

The historical processes of institutional developments consist of numerous events, in which the intention of employees, union officials and managements are interwoven into firm, but constantly changing systems of organisation and external social and economic conditions. The effects of many of these events on short-run union growth may be indirect in nature and this is another reason why these empirical parts

constitute separate sections. It is not very plausible to argue that intermittently held merger talks among trade unions and staff associations, or attempts by union officials to gain recognition, for instance, can significantly affect the choice of union status by employees, although the results of such attempts might have the same impact as economic fluctuation and organisational changes in firms.

The latter half of each section is devoted to extracting the factors that have directly affected the short-run growth of trade unions and staff associations in a systematic fashion. Theories and models of union growth revised in Chapters 1, 2 and 4 are extensively used here to assist the aim. These models are then followed by empirical research through which the results are examined and the theoretical assumptions of union growth are tested against actual experiences in the industry. This is to develop a systematic understanding of the nature of the processes.

There are some differences between the conventional growth models and statistical analysis developed here. One is in the adaptation of some new variables which may be episodic ones specific to the banking industry. Only a feed-back from an empirical survey enables such factors to be included in models. Methodologically, we diverge from major econometric models and follow the method adopted by Shorter and Tilly, and Cronin, as a major concern of this research is not in constructing a good model in terms of predictive ability but in an objective assessment of relative effects of the various factors. All the



variables are standardized and  $\alpha$ -coefficients are shown in the tables so that the relative effects of each variable may be compared directly.

Finally, a few words on the periodization adopted here might be desirable. As has just been mentioned, whole period under study is divided into two sub-periods, within which separate analysis and modelling are carried out. This periodization is due to both the availability of continuous data and the possibilities of structural shift caused by major developments in the industrial relations system. It is difficult to obtain consistent series over such a long period for the wide range of variables used in the model. Not all clearing banks have compiled consistent employment and remuneration data for 80 years and it is a firm-level model ( model 3 ) that is run for the period before the war, as the most consistent series were available from Lloyds bank. It is only after 1968 that banks started publishing such data in annual accounts. Where it is not possible, the 'second best' series are used, but the interpretation of the result requires a particular caution.

The second world war was also a turning point in the industrial relations system in the industry. The war-time Arbitration Order in 1940 made many staff associations, which were at that time quasi-compulsory organisations for the employees with the support of management, restart as voluntary organisations if they were to represent the staff side. Changes in constitution soon followed this and the system of dual



representative organisations emerged, which has continued until today.

## 1. Guild and Associations

The first trade union in the banking industry was established in February, 1914 in London. Although this body, the National Association of Bank Clerks ( N.A.B.C.), was formally registered under the Trade Union Acts, 1871 and 1876, wartime conditions made it difficult to maintain the inexperienced organization and it was finally abandoned in the turmoil of the war.

The move to re-establish the organization was then launched in Sheffield. The first meetings were held in December 1917 and January 1918, which were developed into a committee under the chairmanship of King of Barclays to establish a national organization, the Bank Officers' Guild ( B.O.G.). After the launch of the new organization, branches were soon set up in Manchester, Sunderland, Newcastle, Darlington and some towns in Wales, and the headquarter was transferred to London in October 1918 with Hannan, ex-bank staff of the Union Bank of Scotland, serving as a secretary.<sup>1</sup>

The formation of a trade union in the industry is often attributed to three inter-related factors; the deterioration of employment conditions of employees caused by wartime inflation, the amalgamation movement in the industry which caused far

reaching employment instability and salary problems, and the consequent emergence of bureaucratic management.<sup>2</sup> Many of these have already been mentioned in Chapters 2 and 4. There also seems to be some evidence to assume that trade unionism as a whole, or particularly white-collar unionism, was in favourable social circumstances.

"Public opinion has progressed tremendously since 1914, and any attempt at victimization would receive general and emphatic condemnation . . . and no institution, either financial or government, can flout public opinion."<sup>3</sup>

The serious impact that social and economic changes brought about and, probably, the existence of a 'white-collar proletariat' can be seen from the abrupt growth of the Guild especially in 1919 and in 1920. During these first two years, the Guild succeeded in absorbing approximately 27,000 staff, most of whom worked in the English Joint Stock Banks, or over half of the estimated number of permanent staff.<sup>4</sup> Being established as a trade union under the Trade Union Act, the Guild maintained distinct characteristics as a white-collar union, reflecting the attitudes of its members. Blackburn summarized the feature of the Guild in this formative period as follows.

"The Guild quickly established itself as a trade union, registered as such and with definite trade-union aims. However,

it sought to stand apart from the rest of the trade union movement and retain a distinct middle-class character. Non-clerical staff were not admitted to membership, the only affiliation were with other bank clerks, and although they decided to obtain political representation it was carefully non political. The militant methods of working-class unionism were rejected, and the mere fact that the Guild had a strike clause was the cause of much controversy."<sup>5</sup>

An amendment to delete the strike clause was rejected at the first General Meeting in October 1919. The President of the Guild, Clegg, 'looked upon the clause as being a defensive weapon and fought against it being used'. Instead, the Guild,

"pins its faith rather to the Government scheme of meetings between organized employers and organized employees of the profession concerned,"

and advocated the realization of a joint committee under the then operative Whitley Scheme as one of its prime concerns.<sup>6</sup>

It is well documented that many staff associations were formed more or less under the auspices of management to curb the rapidly growing influence of the B.O.G. among banks. One of the clearest cases is that of the London City and Midland Bank where the chairman sent a circular to branch managers stating,

"We have further decided to take immediate steps to form an Internal Staff Association or Guild, as we do not consider it right that any persons other than our own officers should influence in the affairs of this bank."7

The Lloyds Bank Staff Representative Committee was established in November 1918, London Joint City and Midland Bank Staff Association in 1919, Westminster Bank Internal Guild in 1919, National Provincial and Union Bank of England Staff Association in 1919, Barclays Bank Staff Association in 1921 and District Bank Staff Committee in 1927. They were also established in some smaller banks like Martins Bank and Yorkshire Bank in 1920 as well. In many cases women were ineligible to vote at the elections of officials. Major staff associations then formed the Central Council of Bank Staff Associations in 1923, which functioned as a consultative body without executive powers 'to afford facilities for the discussions of matters affecting Bank Staff as a whole'. Similar attempts were made to establish associations in Scottish Banks, but, without marked success before the second world war.

In the background of the formation of such house or company unions, there was the distinct nature of the employment, observed as repeatedly mentioned 'loyalty' of the employees to the banks, which, in turn, originates in the early paternalistic management and very limited labour mobility between the firms, and was constantly recreated thereafter.



Being officially 'recognised' by the managements, associations organized special committees where elected members of the staff sat with representatives from the directors on the purpose of negotiation. Those in Lloyds, Barclays, Martins, District and Yorkshire Banks did not charge any subscription until they were reorganized into voluntary organizations to meet the new requirement enforced by the National Arbitration Order in 1940. Detailed aspects of the constitution of these associations show how they differed from one to another. Lloyds Bank Staff Representative Committee, for instance, was as much an integral part of the bank's organization, as all the expenses were met by the bank and every member of the staff was deemed a member without an opportunity of 'contracting in' or 'contracting out', although staff could 'resign' from Barclays Bank Staff Association. Staff associations in the Westminster, National Provincial and London Joint City and Midland Banks charged a nominal subscription, and generally, they are thought to have achieved a high density of 50 to 70 per cent. Rapid growth of the Guild stopped thereafter and its membership fell till 1929, at least part of which seems to be attributable to the rivalry effect. ( Graph 5.1.1 shows the rate of change of the membership of the B.O.G., B.O.G. in a London Clearing bank, and the retail price index. )

This basic structure of the industrial relations system remained basically unchanged until 1940, although there were some observable changes in union policies and strategies. The B.O.G.'s main concern in the early years, namely to establish

joint machinery under the Whitley Scheme, was firmly rejected by management. Then, in 1933, it was replaced by advocacy of recognition with recourse to arbitration.<sup>8</sup> It was also in the 1930s when the deliberate differentiation from manual unionism began to weaken. From 1936 onward, resolutions to affiliate to the T.U.C. were submitted continuously, and eventually accepted in 1940. This move was taken simultaneously with their Scottish counterpart, the Scottish Bankers' Association, which resulted in the amalgamation of both bodies in 1946 to form the National Union of Bank Employees ( N.U.B.E.). In the following year, The N.U.B.E. opened its door to non-clerical staff for the first time.

In 1940, there was a major change in the industrial relations system as a result of the war-time Arbitration Order. As the war reached a critical stage, following the recommendation of the Consultative Committee of the National Joint Advisory Council ( N.J.A.C.), the government introduced the Conditions of Employment and National Arbitration Order ( C.E.N.A. Order 1305 ). The main purpose of this order was to prevent essential industries from being interrupted by industrial disputes by virtually prohibiting a lock-out by employers and a strike by employees unless the case had been reported to the Ministry of Labour and remained unsolved for 21 days thereafter. The Minister was given power to refer disputes to compulsory arbitration held by a National Arbitration Tribunal ( N.A.T.), which consisted of members appointed by the

Minister, the Employers' Confederation and the Trades Union Congress.

At least four of the staff associations, those in Barclays, Lloyds, District and Martins Banks were not qualified to represent the staff side under the Order, as their membership was not on a subscription-paying basis, and apart from the Barclays' association, membership was compulsory. Constitutions were altered in haste and new associations were launched in 1940 and 1941.

Order 1305 also brought about some rather unexpected developments in the system. It was a direct result of the opposition in the bank to fee-paying associations that the B.O.G. was recognized by the Barclays Bank in January 1941. Another move was the first attempt to establish national machinery, a 'Joint Council for the Banking Industry', comprised of the representatives of management, staff associations and the Guild, which started in November 1940. The talks were deadlocked as the ad hoc Committee of the B.O.G., at that time being a much smaller organization than the associations, produced a majority recommendation against entry. One reason for it was the employers' demand for joint request of consultation on the staff side, and another was the proportional system of the staff side representation in the draft constitution, both of which might have led to a domination of the committee by the associations.

Although the main concern in this chapter is the growth of trade unions in England, especially that of the B.O.G., it

seems to be necessary to refer to developments in Scotland. The merger between the B.O.G. and the Scottish Bankers Association was also significantly influenced by the Arbitration Order. The S.B.A., like the B.O.G., attempted to make use of the Order for the establishment of a machinery although the Ministry sought to establish a joint conciliation machinery similar to that then being proposed in England and Wales. The S.B.A., with a stronger position in the industry in Scotland, refused to take part in a machinery with internal associations, many of which were established in Scottish banks at that time and then formed the Central Council of Scottish Bank Associations ( C.C.S.B.A.) in 1941. In consequence, the national machinery was established only between the employers' organization, the Committee of Scottish Bank general managers, and the C.C.S.B.A. This caused such a serious membership loss on the side of the S.B.A. that there was no choice but to accept a merger proposal offered by the B.O.G.

## 2. The Business Cycle and Union Growth

As mentioned earlier, the scope of research about the period, between 1920 and 1945, is fairly limited. Because of the reason described above, many staff associations do not come into the conventional analytical framework of union growth up until 1940 or 1941. Furthermore, the data provided by the banks are also



insufficient to carry out a plausible modelling at an industry-level. Even in the major clearing banks, employment and remuneration data of this period often have not finished compilation, thus making it almost impossible to reconstruct these series.

However, the most consistent and reliable data was provided by Lloyds Bank, and in this section, firm-level models are run for the analysis of union growth. Of course, as was shown in the preliminary models in the previous chapter, such an analysis cannot replace a wider study. However, there are also some grounds for assuming that the pattern of union growth at firm-level approximately simulates the one in other major clearing banks, at least during the period under consideration. As can be seen in the graph, the growth of the B.O.G. ( shown in dots DBIFU ) and that in this bank ( DBIFU.A ) follow similar paths. The correlation coefficient between two growth variables measured as the rate of change is .9186 between 1922 and 1945, indicating similarity of the patterns and, probably, the mechanism through which such patterns of growth are generated. This correlation drops to .8551 between 1946 and 1985, one of the reasons for which is probably the diversification of the union.

A merit of dealing exclusively with this period rests in organisational stability and continuity. Furthermore, unlike the period which stretches after the second world war, the conditions of the trade union and the industrial relations system, if such a 'system' did exist, was such that the

processes of union growth was likely to be governed by external variables, but not strategic action. This, of course, is a relative matter, but it is more plausible to argue that the processes observed here rather provide a 'prototype' example of short-run union growth.

The results are shown in Tables 5.1.1. and 5.1.2. The variables are the same as in the last chapter and those in the latter table are normalised. It can be seen that growth of the B.O.G. was crucially regulated by organisational factors, especially by the fluctuation in employment. Incorporated variables explain around 60 per cent of short-run union growth during the sub-period, indicating a fairly reasonable fit in comparison with similar disaggregated models mentioned in Chapter 2, although a much shorter sample period does not allow a hasty judgement. All the equations are statistically significant in terms of F statistic and there is no evidence of serial correlation in terms of the Durbin-Watson statistic. The equations in Table 5.1.2. are normalized and thus, it is possible to assess the relative significance of each variable directly from the equation.

Generally speaking, strong effects of the business cycle variables are not observed. The retail price index (Pt) is statistically insignificant. Although the remuneration variable (Rt) shows a negative sign, it is not significant either, except that in Equation 5.1.2.2. The rate of change of real net profit variable (RNPR) was significant in a few preliminary

models which are not shown here, but it seems difficult to give a plausible explanation for its negative effect.

Employment variables with lag structure have a particularly strong effect on B.O.G. growth. In other words, an increase or a decrease in employment in current year did not affect union growth or decline in the same year, but it was in the next year or the year after when such an effect is observed. Thus, it can be the case that changes in employment merely provide a possibility of union growth, a certain part of which may or may not be realized through the effects of other factors.

Feminization (FEM) measured as the percentage of female labour force among the total labour force is also significant. The sign of the coefficient is plus, indicating a positive effect, which contradicts the assumption. However, this result is rather obvious. Female employees in the bank were only 20 per cent before 1938, when war-time labour scarcity resulted in a massive introduction of the female labour force. A certain proportion of these temporary employees joined the Guild, whereas male employees in the forces maintained their membership. When the war ended, more than half the female employees left the bank, which marked the end of this nominal union growth. Hence what the variable measures is not the effect of a decreasing propensity to unionize as a consequence of an increase in female employment, but mainly the effect of a nominal increase in employment caused by the war. The employment variable does not capture this effect as the original series excludes those who joined the services.

Table 5.1.1. Model 3

Equation	1	2	3	4
Method	OLS			
Period	1924-45			
Constant	.7104 (2.6258)	-.1528 (-3.8519)	-.0705 (-.8155)	-.1337 (-4.6346)
Pt		.2802 (.7796)		
Rt	-.3553 (-1.0661)	-.6668 (-1.5485)	-.7162 (-1.6950)	
RREMt				-.4362 (-1.5492)
Et	-.1159 (-.7026)			
Et-1	.4485 (2.4231)	1.2970 (2.7979)	1.4301 (2.2443)	1.2070 (2.7471)
Et-2	.4508 (2.2231)	1.2820 (2.6563)	1.0969 (2.2443)	1.1849 (2.5979)



Et-3		.7403	.7455	.7286
		(1.6146)	(1.6812)	(1.6148)
Dt-1	-.0957			
	(-.4681)			
FEM	.7240	.0047	.0045	.0039
	(2.7491)	(3.0094)	(3.0801)	(3.8673)
NPR			-.9077	
			(-1.2119)	
<hr/>				
R2	.6890	.7290	.7432	.7197
-				
R2	.5646	.6206	.6404	.6321
F	5.5377	6.7246	7.2334	8.2169
SER	.5763	.0544	.0529	.0536
DW	1.6015	1.4612	1.6386	1.3817
LM.F	.6532	1.0319	.4666	1.4611

---

t statistics in parentheses

P, R, RREM and E are the rate of change variables.

Table 5.1.2. Model 3

Equation	1	2	3
Method	OLS Normalised		
Period	1924-45		
Pt		.1682 (1.0760)	
Rt	-.0853 (-.5530)	-.3356 (-2.0118)	-.2014 (-1.6849)
Et	-.0511 (-.4083)		
Et-1	.3545 (2.4076)	.3562 (2.8635)	.4132 (3.6318)
Et-2	.3189 (2.1137)	.3257 (2.7316)	.2557 (2.0450)
Et-3		.2443 (1.6949)	.2392 (1.6602)

Dt-1	-.0796		
	(-.4696)		
FEM	.5113	.5457	.5053
	(2.6065)	(3.6035)	(2.8973)
NPR			-.1542
			(-1.0248)
<hr/>			
R2	.6717	.7266	.7248
-			
R2	.5691	.6411	.6389
F	6.5463	8.5029	8.4296
SER	.5463	.4985	.5001
RSS	4.7747	3.9764	4.0015
DW	1.4873	1.4262	1.6296
LM.F	1.1370	1.2393	.5241

---

t statistics in parentheses

P, R and E are the rate of change variables.

There is no evidence to argue that union density (DEN) either fostered or hampered union growth. Rather it seems to have been the case that, as managements of many banks expected, the establishment of staff associations had decreased the propensity of the staff to join the B.O.G., the consequence of which is that its growth was maintained by those employees who were pre-disposed to union activities. Nevertheless, it is difficult to prove the negative effect of the existence of the institution-backed organisation statistically, as the association, like others, immediately followed the establishment of the Guild. Graph 5.1.2. shows the actual and predicted union growth using equation 4. The predicted line fits roughly, leaving some 'unexplained' growth.

B.O.G. membership reached a peak in 1923, achieving the estimated nominal density of over 50 per cent in both Lloyds Bank and other clearing banks including Lloyds. Then came the decline from which the union could not recover throughout the 1920s. The 1920s were also a decade of economic trouble and disillusion. The post-war boom suddenly ended in the summer of 1920, from which the British economy did not completely recover until the war. Banking also suffered from this deterioration. Equations based upon the organisation variables predict the decline of union membership during this period reasonably well except the years between 1923 and 1928 when, the feminisation



variable being excluded, most of the equations slightly overestimate union growth.

There are some explanations for this. First of all, it seems to be natural to assume the rivalry effect that successful function of the staff associations brought about, as the slowing down and later decline of the B.O.G. membership almost coincides with the establishment of the associations. Secondly, there seems to have been some internal organizational factors. Examining the process of union growth, it becomes clear that an abrupt growth in union membership is often followed by a decline within a few years, pulling back the membership to its original trend line. Much of this phenomenon seems to be due to a natural lapse in membership, as many employees who joined the union, say, being stimulated by enthusiasm the establishment of the Guild created or threatened by the reorganization of the industry, tend to fail to extend their membership in the course of time, losing their enthusiasm or reasons to do so.

In July 1925, Clegg, the general secretary of the Guild, described the situation in an Annual General Meeting.

"Our membership at 31st December, 1924, was 24,996, certainly less than a year ago, but that is the result . . . of the deliberate policy of the Bank Officers' Guild initiated by me at the Annual General Meeting in 1922, when . . . I made a strong appeal to our organization to cut off from its membership the class of member who is no good to any organization, the man who will not pay his subscription to the

upkeep of the Association that has done such an immense work for him."<sup>9</sup>

Then came the General Strike in 1926 which obviously had a negative effect on union growth. It was observed that,

"at the opening of the year 1926 we enrolled nearly 1,700 new members and when the General Strike broke out, we hardly enrolled another member in the whole of the year,"<sup>10</sup>

although such an episodic effect might not be strong enough to detect in a model that covers the whole period before the war. The stagnation of the organization was such that the Guild encountered a financial crisis by 1927, when it was forced to increase subscription. The new subscription from January 1928 also served to curb Guild membership, although the total collapse of the organization, as some executive members feared, did not occur.<sup>11</sup>

The Depression started in 1929. However, not only there seems to be a time lag between the depression in industry in general and the crisis in banking, but its effects were less severe in the latter. Managements' attempts to reduce labour costs started at the end of 1929 and reached its peak in 1931 and 1932 with a series of salary and bonus cuts. This was especially notable in Lloyds. The Guild embarked on a publicity campaign, which attracted particularly good support from employees working in local branches and suburban areas of

London. It was also helped by the conciliatory attitude of the association, and succeeded in the winter campaign and national recruitment week in 1929 and in 1930, considerably increasing its membership in the midst of the depression.

However, there seems to be another factor behind this successful campaign which struck a chord among employees. As shown in the Graph 5.1.2., the business-cycle or organisational model predicts an increase in membership in these years, whose source possibly comes from an increase in employment just before the depression. Hence it seems reasonable to assume that this biggest upswing in B.O.G. membership before the war was a cumulative effect of three factors; a substantial cut in pay, union strategy and the existence of a good number of potential union members.

The models explain neither a slight recovery of the Guild in 1934 nor its decline between 1935 and 1939 properly. In the former case, the factor seems to be rather specific to this bank, as the bank continued stringent labour management, carrying out further cuts in bonus in that year while the general cost of living had already turned up.

The problem over pay remained unsolved in the next year which developed into a 'dispute' between the B.O.G. and Lloyds Bank, where reductions were severer than in other banks. A similar dispute also occurred in the District Bank where substantial differences between the conditions in the County section and those in the District section remained after the amalgamation.



Without having a formal channel of negotiation, the Guild had from time to time used the annual general meetings of shareholders to express their opinions, and it was through this channel that the whole question of reductions in bonus and salary scale was argued. Against this move, and the subsequent press publicity, two chief general managers distributed a circular stating,

"We . . . think it well to remind you that at the Annual Meetings of the Bank in February, 1932 and 1933, the Chairman expressly stated that the Board of the Bank could not in any circumstances allow the Bank Officers' Guild, a Trade Union Organization, to intervene between them and the Staff of the Bank, nor would they admit any claims whatever of the Bank Officers' Guild to speak on behalf of the Staff of this Bank. . . . We therefore strongly urge each member of the Staff to give most careful thought to the position, not only in the present but for the future, and by individual influence and active support of the Staff Representative Committee to help to maintain and strengthen the position of the Staff of this Bank."<sup>12</sup>

The 'dispute' was not solved until 1938-9, when the bank improved the conditions 'following the increased earning capacity of the Bank'.

Although the problem did not escalate in Lloyds Bank thereafter, the management of the District Bank took a stronger



line. A circular from the General Management, for instance, stated,

"disapproval has been expressed by certain of the staff of the recent policy of the Bank Officers' Guild, as, for instance, the publication in the Press of a statement that the staff are under-paid compared with the other banks thus lowering their prestige in the eyes of their friends and neighbours. Will those members of the staff who have resigned or decided to resign from the Guild to mark their disapproval of the policy of the Guild be good enough to advise us of the fact. . . . Will those members of the staff ( whether members of the Guild or not ) who either voted against or abstained from voting for the resolution submitted to the recent meetings convened by the Guild also kindly advise us."<sup>13</sup>

It was observed that following a series of circulars of similar kinds, over 100 staff in the bank resigned from the Guild during a few months at the end of 1936, and a further 300 in the beginning of 1937.

### 3. Summary

Now let us summarise the findings in this chapter before we move on to the post war period. First of all, there is some

evidence to suggest that immediate determinants of union growth over the sample period was organisational factors rather than the business-cycle variables. The early growth of the B.O.G. was basically underpinned by such factors, especially by employment with a lag structure, as specified by Ashenfelter and Pencavel.

Nevertheless, it can also be shown that the remuneration variable had a certain effect upon short-run union growth. The sign of the coefficient is minus, against Bain and Elsheikh's a priori assumption and the result, and confirming that of Carruth and Disney. The reason for this seems fairly clear-cut. Lengthy reductions in labour costs caused dissatisfaction amongst staff, which made even a general secretary of a then management-backed staff association speak of a 'disaffection of the staff'. The Guild's campaign succeeded in grasping this dissatisfaction and consequently it increased its membership while economic conditions were deteriorating. Hence, a possible function of a 'credit effect' cannot be denied, but such a 'dissatisfaction effect' exceeds it during this period.

Two problems derive from this observation; specification of the condition that can generally cause the effect and the recursive effect of union growth upon remuneration. These problems are left open at this stage because of limited nature of the data. One thing that is certain is that without having a formal channel of negotiation, the influence of the Guild upon the labour management of the banks was inevitably indirect in nature, and major changes, such as the introduction of the

salary scale in the 1920s, were mainly due to managerial decisions. As Sykes wrote, although staff associations were 'recognised' and did make recommendations on general lines, the actual increases or other alterations of salary were usually decided by a special Management Committee. Hence it seems to be difficult to emphasise the function of the Guilds and associations as regulators of pay standards during this period.

Recruitment campaigns were organised almost every year throughout the period chiefly by means of a 'personal approach', that is, by B.O.G. members to non-members. However, their effect seems to depend basically on the conditions of the staff. This brings the argument close to that of Bain and Price, who wrote,

"unions and their leaders basically act as catalysts in the recruitment process. Before a group of workers can be successfully organised there must be some irritant resulting in a widespread feeling of dissatisfaction. Unions and their leaders cannot create this antipathy, they can only discover where it exists, emphasise it, and try to convince the workers that it can be remedied by unionisation."<sup>14</sup>

As has been shown, there were two cases where such a widespread feeling of dissatisfaction emerged among staff during this period. One was employment instability caused by bank mergers and organizational changes, and another was a severity and duration of the pay reductions. Apart from these

organisational and business-cycle variables, we can easily imagine that a rivalry effect was constantly present, although, as mentioned earlier, lack of data makes it impossible to examine the effect through adequate models. Such an attempt was made for the period after the war where staff associations and unions' membership data are available.

The influence of the employers' attitude was also observed during certain periods when intimidation existed. Such an effect is much strengthened because of a common adaptive subjective tendency to the structure of the organisation. Fear of the jeopardizing career prospects outweigh the pecuniary and non-pecuniary benefits that union membership may bring about. There is also some evidence to indicate that external socio-political factors can directly affect union growth. But the effect of such factors on overall union growth seems to be rather limited and the only exception during the period was government intervention through labour legislation, which functioned as a motor to change and create a system of industrial relations.

1. National Union of Bank Employees, Draft History.

2. The first volume of the Bank Officer, the organ of the B.O.G. referred to the causes of establishment as follows,



"It would be untrue, perhaps, to say that the European War has caused the movement ; it is near the mark to say that the economic stress of the war has precipitated it. . . . In addition to the economic stress referred to, there was a further factor : that of the amalgamation and absorption of Banking Institutions, which has gone on to such an amazing extent during the last twenty years, so that the banking of England can be said to be carried on by about ten concerns of enormous financial power. The result of this has been, necessarily, the elimination of that element of personal intercourse between the bank servant and his employer, which had such fine possibilities and which was justly esteemed by both. ( August 1919 )"

3. Ibid.

4. Ibid., April and May 1926.

5. Blackburn, R.M. op.cit. 138.

6. The Bank Officer. August 1919

The Whitley Committee on the Relations between Employees and Employers was established in 1916 following the growing influence of the shop steward movement especially in the engineering and shipbuilding industries. The Committee recommended the establishment of joint machinery at national, district and establishment levels, which would concern itself not only with the pay and employment conditions but with wider problems including the promotion of productivity and job satisfaction in industries with substantial employers' and employees' organizations. Although more than 70 councils were established till 1921, it was only in the Civil Service and the Post Office where the Whitley Scheme in this wide sense came into effect.

7. Correspondance of the Midland bank and the Midland Bank Staff Association for Cameron Enquiry.

8. N.U.B.E. leaflet, Down the Years with N.U.B.E. Smaller Co-operative Wholesale Society Bank and the National Bank recognised the B.O.G. in 1923 and 1932 respectively.
9. The Bank Officer, July 1925
10. Ibid., September 1927 and July 1928
11. Ibid., July 1927
12. Ibid., March 1936
13. Ibid., March 1937
14. Bain, G.S. and R.Price. op.cit. 31.

## 6. A New Era of Industrial Relations

This section deals with the period after the second world war from 1946 to 1990, and written in much the same way as in the last chapter. The first part provides a basic industrial relations framework in which time-series analysis is carried out. This is then followed by an assessment of the results of the analysis in the context of an empirical survey. The aim of this chapter is to obtain a generalised understanding of the processes of union growth at the level of aggregation.

Such processes would be much more complex than before the war. After 1945, many factors which were non-existent or only potential before the war have come to function; the emergence of staff associations and unions as independent bodies means intense inter-union competition that distorts the 'prototype' processes based upon the business-cycle and organisational factors. Recognition of the trade union and establishment of national machinery signifies the emergence of a new regulator of the conditions of employment. Intermittently held industrial actions represent a new aspect of short-run growth. It is the effects of these complex variables upon individual behaviour that we are attempting to separate.

There are some minor changes on the technical side, too. Firstly, more abundant data over this period enables us to run an industry-level model, which is denoted as Model 2, and it is

this model that is the centre of the analysis. As mentioned earlier, the data used for this model includes material from Barclays, National Westminster, Lloyds, previous Williams & Glyn's ( until 1984 ), Coutts & Co., and those absorbed by or merged with these banks including Barclays Bank International ( after 1985 ) and Lloyds Bank International ( after 1986 ). It has also been mentioned that the Midland Bank's figures are excluded from the main models because of a lack of union membership figures after the take-over of its staff association by the A.S.T.M.S.. This coverage roughly corresponds with the former member firms of the Committee of London Clearing Bankers. The reasons for the exclusion of some firms in the present Committee of London and Scottish Bankers such as T.S.B., the Royal Bank of Scotland, Bank of Scotland and Standard Chartered have already been mentioned in Chapter 4. Despite increasing competition from other clearing banks, building societies and the Post Office, the 'big four' still dominates the industry, holding about 82.7 per cent of the employees in the member banks of the Committee in 1988.<sup>1</sup> Model 1 developed in Chapter 4 is abandoned in this chapter. This is due to the difficulty of incorporating the empirical side of this research into the analysis, which does not cover insurance and finance industries.

Secondly, staff associations and unions' membership figures are also available between 1948 and 1988, with which separate models for BIFU growth and SA growth can be run. These variables are used both as a dependent variable and an



explanatory variable in turn in order to assess the effect of inter-union competition, although such a specification may cause a simultaneous equations bias in the model.<sup>2</sup> The models in which this effect is controlled have already been shown in Chapter 4.

### 1. National Machinery and After

The industrial relations system that the Arbitration Order brought about in 1940 and 1941 remained almost unchanged till the establishment of the Joint Negotiating Council for Banking (JNC) in September 1968, which gave N.U.B.E. national recognition, except some banks had already given N.U.B.E. institutional recognition prior to the establishment of the machinery. In the beginning of 1959, these banks were Barclays, Barclays D.C.O., National, the Trustee Savings Banks, C.W.S., S.C.W.S. and Greenock. Most of the events in industrial relations in the industry during these years relate to the efforts to establish national machinery.

A hardening pay policy by the banks and the consequent dissatisfaction among staff in the early 1950s gave some impact on staff associations as well as N.U.B.E., and seems to have underlain the dissolution of the Midland Bank Staff Association in 1951. It started from the anterior events went back over a period of more than twelve months, an editor of Midland Venture

wrote, when the Bank's cut of overscale increases in December 1949 was followed by the promulgation of maxima and a disagreement over cash payment. Staff dissatisfaction over these policies and the association's ineffectiveness were such that, in March 1950, some hundred members declined to renew their subscription to the association. Then came the Bank's announcement of a 10 per cent cash payment for the half year in December 1950, which made 17.5 per cent for 1950 as against 20 per cent by other comparable banks. It 'shook confidence of the Grand Committee ( of the association ) severely', and shortly afterwards, the Committee unanimously resolved to recommend the dissolution of the staff association and resigned.<sup>3</sup>

Although the association was formally dissolved in 1951, in January 1953, a circular inviting the staff to form a new staff association was distributed with the approval of the chairman of the bank. A vote to form a new association was held in June, and it was launched with a domestic arbitration agreement with the bank. Similar institutional arbitration agreements were soon followed by other banks, which N.U.B.E. officials speculated that 'they were created by the Banks to convey an impression to the public and to the Ministry of Labour in particular, to bank staffs in general, that the internal staff associations were, in fact, independent of the employers'.<sup>4</sup>

After the unsuccessful attempt of the 'Norwich Proposals' in 1947, no startling development took place on the subject of the national negotiation machinery until it was raised again in 1951. N.U.B.E. was recovering from the stagnation of just after

the war and also had a practical problem to negotiate over the petition it collected in 1950. Talks began with the assistance of the Ministry of Labour, and some measure of agreement between N.U.B.E. and the C.C.B.S.A. was reached. But in the next year, the A.D.M. of N.U.B.E. decided to withdraw from the discussion by a narrow majority and returned to the long-established policy of non-collaboration with staff associations.<sup>5</sup>

The attempt was renewed in 1954 when the N.U.B.E. membership voted to seek the establishment of the machinery by a handsome majority. The negotiation started under the auspices of the Ministry of Labour. However, the newly formed Midland Bank Staff Association had not joined the C.C.B.S.A., and amongst N.U.B.E.'s vigorous pay campaign, the National Provincial Staff Association had already expressed doubts about the desirability of the national machinery, which was soon followed by a similar statement from Lloyds' Association. Furthermore, after the breakdown of the previous talks in 1952, the clearing banks had signed institutional arbitration agreements, and for that reason, the employers were not 'convinced of any need for such a machinery'.<sup>6</sup>

Meanwhile, N.U.B.E. had been pushing the banks for full recognition, directly to the Committee of London Clearing Bankers and indirectly through the T.U.C. and Parliament. In 1960, the union made a comprehensive approach to the T.U.C. under I.L.O. Convention 98, after which a series of talks took place between the Minister of Labour on the one hand, and the



union and the C.L.C.B. on the other. It was on this occasion that the chairman of the Committee, Sir Olivier Franks of Lloyds Bank, gave an assurance that the staff of the banks were completely free to join the union or the association. His statement was immediately circulated to all branches of the bank by the union.

In March 1962, the T.U.C. forwarded a complaint by N.U.B.E. to the I.L.O., which alleged that banking employers generally, and employers of the District, Martins, National Provincial and Yorkshire Banks specifically, were preventing them from exercising their proper and normal function as a trade union by supporting and using internal staff associations. According to the recommendation by the Freedom of Association Committee of the I.L.O., Lord Cameron was appointed to hold an enquiry in the spring of the next year. The report was published in November.

The Report concluded that despite the fact that the 'positive assistance given to the Staff Associations by way of facilities for meetings and distribution of literature put the former in a stronger recruiting and publicity position than N.U.B.E., and despite the fact that the 'Staff Associations are in a position where domination could be exercised by the employers', there could be found no evidence where such potential domination was actually executed.<sup>7</sup> On the other hand, it also urged the four banks to accept oral representations from the union, which other clearing banks did after the previous talk through the Ministry of Labour, and



recommended the setting up of joint machinery to discuss national issues.

Despite the recommendation, talks over machinery did not develop quickly. It was November 1965 when, following N.U.B.E.'s proposal, a working party was set up to consider the possibility of national machinery by the clearing banks, N.U.B.E. and the C.C.B.S.A. The party completed a draft constitution by the beginning of 1967, but in the middle of the year, two staff associations defected from the arrangements and the talks collapsed. Consequently, N.U.B.E. took a more militant approach to obtain recognition by its own actions and embarked on a campaign which it called 'Action 67'. The campaign was actually helped by an unsatisfactory pay settlement in some banks, the announcement of the extension of opening hours and postponement of Saturday closing in October. This move by management exasperated staff dissatisfaction over the long pay freeze, and N.U.B.E. membership boomed; some 6,000 employees joined the union in that month.

Backed up by this growth, the union succeeded in mobilising its members into the first strike in the London clearing banks in North and South Wales at the end of November 1967, followed by the second stage action in Blackpool, Bolton, Doncaster and Nottingham in December. Under the threat of a further strike, an agreement between N.U.B.E. and 9 out of 11 clearing banks was reached, which gave the union national recognition. Talks to establish national machinery were resumed on the collapsed July 1967 proposals with an agenda enlarged to include hours,

overtime, holidays and safety. The union then directed its attention to the Midland Bank, which had consistently stood aloof from the talks. The Bank and its staff association agreed to join the machinery in April 1968, and the Joint Negotiating Council for Banking was formally established in September 1968.<sup>8</sup>

After the creation of the machinery, N.U.B.E. then set about establishing domestic procedural agreements in individual banks. The newly formed National Westminster Bank soon recognized N.U.B.E. in May 1969, despite the hostility of two of its former constituents; the National Provincial and District Banks. Procedural agreements for clerical staff and managers were signed in the next year. Similar agreements were made with Barclays including non-clerical staff in 1969, with Lloyds for the same category in November 1970, and with the Midland for clerical and non-managerial appointed staff in December 1970. These agreements covered negotiations on all aspects of conditions of service which were not the subject of the Joint Negotiating Council procedure. National non-clerical machinery was established in June 1970, and it continued operation after the collapse of the joint machinery for managerial and clerical staff in 1978.

Towards the end of the 1960s, large scale re-organization of the British banking industry was carried out, which started from a change in the attitude of the government towards the 1918 Colwyn Committee's decision that ruled out further mergers in the clearing banks. Soon after this was expressed in the

Prices and Incomes Board's Report on Bank Charges, Liverpool-based Martins Bank announced its intention to merge with a larger bank, which was immediately followed by a merger proposal between National Provincial and Westminster Banks. The latter merger was carried out without any objection. In response to the Martin's announcement, both Barclays and Lloyds appeared as bidders, from which a project of a triple merger emerged. However, the Monopolies Commission objected in July 1968, and the result was the absorption of the bank by Barclays. As we will see later in this chapter, these mergers caused certain institutional as well as numerical changes amongst the trade unions and staff associations concerned.

As described by Morris, there were some marked changes in the policies of N.U.B.E. One of them was a diversification of the organisation.<sup>9</sup> In 1970, the union started a recruitment campaign in around 50 associated or subsidiary companies of clearing banks including Barclays Unicorn, Lloyds Bank Property Company, Midland Bank Finance Cooperation and Bank of Scotland Computer Services. Then at the Annual Conference in 1971, N.U.B.E. formally decided to recruit staff in other financial institutions in which building societies, insurance companies and finance houses were included. It was supposed to give the union a potential membership of nearly half a million, although such a move left the union in competition with other TUC members, such as the A.S.T.M.S. In 1972, N.U.B.E. had some success in establishing procedural agreements in some insurance companies and building societies including the Ecclesiastical



Insurance Office, but most of them were small companies with less than 300 employees. N.U.B.E. changed its name to the Banking, Insurance and Finance Union ( BIFU ) at the conference held in Glasgow in April 1979 to reflect its changing membership.

The Conservative Party came into power in 1970 and started a major legal reform in relation to the industrial relations systems in Britain. Its Industrial Relations Act, 1971 was largely to expand the influence of labour legislation. In the background, there was an increasing influence for monetarism, which, in its political form, insisted on the proper functioning of the market economy by means of discarding the institutional intervention especially carried out by the government and trade unions. The National Industrial Relations Court ( N.I.R.C. ) was established which, together with existing bodies such as industrial tribunals and the Industrial Court, removed most legal proceedings arising out of industrial disputes from the jurisdiction of the ordinary courts. The system of an 'agency shop', in which employees can choose either to join a union, to pay the subscription or to pay the same amount to charity, was established, making the previous 'closed-shop' void or unenforceable. It also provided the Secretary of State with the power to order a 'cooling-off period' of up to 60 days.

The T.U.C. fiercely opposed the Act and made a recommendation to boycott the Act at a special congress in March, which became an instruction. This T.U.C. instruction was



obeyed but about 30 unions, one of which was N.U.B.E., that was constantly being threatened by competition from staff associations. As a consequence, N.U.B.E. was expelled from the T.U.C. in 1973. The new Labour government repealed the Act in July 1974 and the union re-affiliated to the T.U.C. in November 1975.

N.U.B.E.'s exclusion from the T.U.C. put it under the threat of poaching by other T.U.C. affiliated unions, especially by the Association of Scientific, Technical and Managerial Staffs (A.S.T.M.S.), led by Clive Jenkins, who had already said that his union was prepared to take up the challenge of N.U.B.E. in the financial industry. On the other hand, membership of the Midland Bank Staff Association had stagnated after the establishment of the national machinery. It was surpassed by N.U.B.E. in 1970, and thereafter, had been almost constantly declining. It was in such a situation that the executives of the association including the general secretary, Smith, looked into a chance to re-establish a domestic bargaining system with the bank.<sup>10</sup> The expulsion of N.U.B.E. from the T.U.C. gave the association the chance, and its executive announced their recommendation to transfer to A.S.T.M.S. in September 1973. The association actually transferred in the next year, maintaining an independent organizational structure.

This take-over did not alter the situation of the association, probably because many staff did not choose the more radical trade union. Membership of around 10,000 in 1974 is supposed to have declined to around 6,000 in about three

years, and reported to have further decreased to around 4,000, when it was de-recognized by the bank in May 1989, although a slight recovery was observed. The secretary of the Midland Bank Section of the M.S.F. finally published a recommendation to join Bifu in the same month.<sup>11</sup>

On the other hand, a series of merger talks between N.U.B.E. (Bifu) and the remaining staff associations were held intermittently between 1973 and 1976, 1978 and 1980, and 1982 and 1985, all of which failed to achieve satisfactory results. N.U.B.E. took the initiative on the first merger talks by approaching three staff associations in the London clearing banks with proposals for bilateral mergers. Then, from September 1973, efforts to form a single union in the banking industry started both at domestic and national levels. In the background was the entrance by A.S.T.M.S. into the banking industry, the expulsion of N.U.B.E. from the T.U.C. over the Industrial Relations Act and the union's financial crisis from which it did not recover until the Autumn of 1974.

It was said that especially the move of A.S.T.M.S. created a 'united-we-stand, divided-we-fall' atmosphere amongst both union's and associations' executives, and they succeeded in proposing a structure of a new merged union, the Association of Banking and Finance Union within four months. Then came the deadlock. The biggest gap between the union and the staff associations was the extent of the centralization of a merged union. Although N.U.B.E. executives insisted on a centralized structure, the Confederation of Bank Staff Associations

persistently advocated the amalgamation on terms which would permit them to retain their autonomy, including their financial basis such as collection of subscriptions.<sup>12</sup> At the same time, the situation was changing. Despite its research resources and publicity, A.S.T.M.S.'s membership of its Midland Bank Section had been almost constantly decreasing after the take-over drama in 1974, and N.U.B.E. successfully re-affiliated into the T.U.C. in 1975, regaining a protection against inter-union competition. The talk finally collapsed in the beginning of January 1976.

Then came the collapse of the short-lived Joint Negotiation Council. In November 1977, N.U.B.E. gave a notice of withdrawal from the joint negotiating machinery for clerical staff both at domestic and national levels, and demanded the employers direct negotiating rights. The notice came into effect in March 1978.

The immediate reason for N.U.B.E.'s withdrawal was different pay proposals in 1977, in which, being backed-up by superior voting strength, C.B.S.A.'s 10 per cent claim was adopted against N.U.B.E.'s case. But dissatisfaction among the executive members of N.U.B.E. had been long established over the largely unexpected consequences of the machinery. Already in 1973 and 1974, N.U.B.E. abruptly dropped its membership in the London clearing banks, notably in National Westminster and Barclays Banks. In March 1976, the union executive committee had decided to ask the newly formed Advisory, Conciliation and Arbitration Service (ACAS, 1974-) for an enquiry into industrial relations in Barclays and Lloyds Banks, especially

on the financial assistance to the staff associations given by the banks. An executive member wrote in the N.U.B.E. News in that month,

"N.U.B.E. does the lion's share of the work involved in such machineries and yet some of the staff associations reap the membership benefit because of lower subscriptions they charge."<sup>13</sup>

In the following two years after the collapse of the machinery, pay negotiations was conducted at domestic level although the final package agreed were common to the banks belonging to the Federation. Thereafter, the union, now called Banking, Insurance and Finance Union (Bifu), had national negotiations with the Federation without a formal procedural agreement till December 1982, when a new procedural agreement with five English clearing banks was signed. Domestic procedural agreements with some major banks preceded this and were signed in 1981.<sup>14</sup>

Following the breakdown of the Joint Negotiation Council, the Federation of London Clearing Bank Employers suggested the introduction of a third party to discuss industrial relations in the clearing banks, and Dr. Tom Johnston, former head of the economics department at Heriot Watt University and the Chairman of the Scottish Manpower Services Commission, accepted the chairmanship in April. He proposed the first report (Mark 1) in



October, in which he suggested the formation of the Clearing Bank Union with two-tier structure.<sup>15</sup>

The second Johnston report was then drawn up in October 1979. The staff associations were prepared to accept it in full, but Bifu demanded to set up working parties to examine the conditions further. Eventually staff associations at Lloyds and National Westminster Banks announced that they were withdrawing from the talks in November. The talks took place on and off for another two years before they subsequently collapsed. It was in the next month that the executives of three staff associations, namely NatWest Staff Association, Barclays Group Staff Union and Lloyds Group Staff Union, announced a merger to set up a break-away union as a federation of three organizations. Then a vote among members were taken, and the Clearing Banks Union with a membership of around 90,000 was launched in August 1980 under a general secretary, Jack Britz, a former national officer of the electricians' union.

The third merger talk started informally between Bifu and C.B.U. following the failure of industrial action taken by Bifu in April and May 1981. It was once 'shelved' in the end of 1982 when the C.B.U. executives rejected the negotiating framework drawn up by the leading officials of both unions, largely because of hostility to T.U.C. affiliation from the general secretaries of the staff association and unions. This breakdown led to the resignation of Britz, who actively promoted the merger talk. Then in November 1984, following Bifu's decision to drop most preconditions for negotiations, the

C.B.U. conference carried a motion to resume the merger talks, which started in March 1985. However, after five meetings, Lloyds Bank Group Staff Union's decision to give its General Council the power to withdraw from the C.B.U. raised the prospect of a split in the newly born union, and the talks were subsequently halted in September. There have been a few sporadic moves on the side of BIFU to resume the merger talks, one later in the year and another in 1987 following the change in the C.B.U.'s general secretary to Ms Margaret Platt, but neither of them developed to a substantial level.

In 1985, the Midland management announced that it was withdrawing from national negotiations in December of that year,

"to determine the major pay and conditions of its staff to take account of highly competitive market conditions and freeing itself from negotiating with the Clearing Bank Union, which has no membership or negotiating rights in Midland."<sup>16</sup>

As Williams and Glyn's bank had merged with the Royal Bank of Scotland earlier in the year, only three banks now remained in the Federation of London Clearing Bank Employers; National Westminster, Barclays and Lloyds Banks. Then, towards the end of July in 1987, National Westminster Bank withdrew from the Federation in the midst of an industrial dispute over pay including London and large-town allowances, which was swiftly followed by Barclays and Lloyds. Consequently, all the national

negotiations halted and were replaced by domestic negotiations. Although differences amongst the federation members over allowances and pay provided the management of the National Westminster Bank, short of labour in the South-east region, with a chance to pull out, its move was also a reaction to a major change in the industrial structure.

Relations within the C.B.U., which was originally established for the purpose of national negotiation with the Federation, were increasingly strained and at a meeting to fix C.B.U.'s 1988 budget, the Lloyds Bank Group Staff Union representatives failed to turn up. They reported that the cost of the C.B.U. was too high a price for a union which no longer negotiated nationally with the employers. The annual delegate conference of C.B.U. held in Birkenhead voted to abolish the union in November 1987, but only after five attempts to do so in a six-hour debate, and it ceased to exist in April 1988.

## 2. Patterns of Union Growth

The models used in this chapter are based upon the traditional business-cycle model, as in the previous chapters. Although an industry level model ( Model 2 ) is focused upon in this chapter, the results of Model 3 are also shown. The modelling procedure is as follows. At the first stage, models to explain Bifu growth and staff associations and unions ( thereafter SA )



growth are run. Each of them includes the rate of change of other organisation's membership variable to capture the rivalry effect. At the second stage, each model is re-run with variables which measures the effects of industrial action upon union growth and the effects of organisational shift. Some technical problems, such as simultaneous equations bias, structural shift and serial correlation, are also considered. At the final stage in this chapter, the main models are split into two sub-periods in 1967 and 68 and separate models are run to examine a historical shift in the short-run growth patterns.

#### Business-cycle and Organisation

Graph 7.3.1 depicts post-war union growth in the industry, namely major clearing banks, level. DBIFU shows the annual rate of change of BIFU membership and DSA is that of staff associations and unions membership. These two membership series were added up and then changed into the rate of change series, which is shown as DT. This series had already been used to estimate the equations in Chapter 4.

Generally speaking, membership growth of BIFU shows more fluctuation than that of the pre-war period. Some of the sharp growth as in 1955 and 1967 can be attributed to very successful recruitment campaigns and industrial actions, from which we can infer the possible significant effects of strategic factors



upon union growth. Another feature we can read from the graph is that membership growth of staff associations and unions has been more stable than that of Bifu, consequently making the combined DT figures akin to the Bifu growth path. This may be so even if we control the supposed effects of strategic factors, as Bifu growth is also characterised by sharp downwards swings as in 1964, 1973, 1974, and some more recent years.

It is also clear that the establishment of the Joint Negotiating Council in 1968 seems to have changed the patterns of union growth to some extent. Severe rivalry effects observable in the pre-JNC period, say in 1955, 61, 63, 64 and thereafter for a few years was somewhat eliminated and both bodies come to take similar growth paths. The break-down of the JNC in 1978 does not seem to have changed this pattern.

The following variables are used to analyse the short-run growth of trade unions and staff associations.

P	retail price index
R	remuneration
E	employment
D	union density
SA	rivalry variable
BIFU	rivalry variable
PM	potential membership
PRO	real net profit
STR	strategy variable

ORG    organisation variable

FEM    female employment

Specification of all the variables but those measuring the effects of inter-union competition is the same as before. The remuneration series represents average weekly earnings and employment figures cover those employed in the major clearing banks. As the purpose of including a density term is to capture the 'saturation effect', which has long been discussed by labour historians, it is more desirable to define it over potential membership figures rather than employment as in the previous chapter.

There are two ways to incorporate employment and rivalry variables. One is simply to add a SA or BIFU variable in the models. Another is to subtract the membership figures of SA and BIFU from the annual employment data. These latter variables are shown as the potential membership variables, PMU and PMSA respectively. Since there is no a priori reason on the preference of the specification, both of them are tested. Note that as SA data are available only after 1948, employment of lagged variables shorten the estimation period.

P, R, E, SA, BIFU and PM are the rate of change variables and the strategic union variable ( STR ) is a dummy variable which measures the effect of industrial actions.

STR = 2 : when a strike action exists amongst all or most of the English clearing banks.

STR = 1 : when other forms of industrial action or successful campaigns exist in all or most of the English clearing banks.

STR = 0 : when industrial action does not exist in all or most of the English clearing banks.

Note that institutional or regional industrial actions are not generally included in the variable because of the limited nature of such actions upon union growth at the industry level. Sources of the data and their weakness are discussed in Chapter 4 and in the Appendix.<sup>17</sup> Organisation dummy variable represents a time lag in the landslide membership swing from N.U.B.E. to staff associations at the beginning of the 1970s that the establishment of the national machinery brought about.

The results of the first stage modelling are shown in Tables 6.2.1. and 6.2.2.<sup>18</sup> As all the variables are normalised by subtracting the means and divided by the standard deviations, estimated coefficients show the relative effect of each variable upon union growth. The a-coefficients of the constant term is undefined, as it drops out as a result of normalization. All the equations are significant in terms of the F test, and calculated Durbin-Watson statistics are within the upper ( dU ) and the lower ( dL ) limits. The values of standard error of regression in some equations are high, but this arises from the normalization process. Generally, business cycle model with rivalry variables explain 40 per cent of BIFU growth and from 30 to 40 pr cent of SA growth at an industry

level, although model performance slightly deteriorates at the firm-level.

Inclusion of strategy variables particularly improved the performance of the Bifu model, indicating the strong impact of them upon union growth ( Tables 6.2.3. - 6.2.4. ). In Tables 6.2.5. and 6.2.6., variables are normalised and beta coefficients are shown.<sup>19</sup> The coefficient .9813 of employment variable lagged three years in the Equation 6.2.3.1, for example, can be interpreted as a 1 standard deviation change in employment has caused a .9813 change in the Bifu membership. Since the units and variance of variables are standardized, a relative impact of each variable can be compared with each other directly. Actual and predicted growth are estimated and shown in the Graphs 6.2.2. These models explain approximately 70 to 80 per cent of Bifu growth and 40 to 50 per cent of SA growth.

Most of the equations do not include Bifu membership, SA membership and employment figures of Midland Bank. As has already been explained, this is due to the lack of a reliable SA series of the Bank. However, it is possible to estimate such figures by intertrapolation, and the results of the models based upon this data are also shown in Equations 6.2.3.3. and 6.2.4.4. It can be seen from these results that model performance of both equations improved slightly, but it did not bring about much difference in the assessed causalities.



Table 6.2.1. Model 2 Bifu

Equations	1	2	3
Method	OLS Normalised		
Period	1952-88		
Pt	-.2968 (-1.5922)		-.3061 (-1.6698)
Pt-1		-.3451 (-1.9484)	
Rt	.3412 (1.7967)	.3682 (1.9830)	.3392 (1.7972)
Et	.0628 (.4375)		
Et-1	.1238 (.8913)		
Et-2	-.1872 (-1.3391)		

Et-3	.4054	.4040	.3656
	(2.6901)	(2.7009)	(2.4639)
UDt	.3276	.3207	.3227
	(2.2685)	(2.3170)	(2.2965)
SAt	-.5955	-.5974	-.5543
	(-4.0590)	(-4.2597)	(-3.8734)

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R2	.5185	.4847	.4697
—			
R2	.4022	.4203	.4035
F	4.4605	7.5243	7.0871
SER	.8070	.7947	.8062
DW	2.0878	2.1915	2.1498
LM F	.1202	.4702	.3312

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t statistics in parentheses.

Table 6.2.2. Model 2 SA

Equations	1	2	3
Method	OLS Normalised		
Period	1952-88		
Pt	-.0443 (-.2288)		
Pt-1			-.2598 (-1.4451)
Rt	.2244 (1.1574)	.1746 (1.2185)	.3315 (1.8826)
Et	.1265 (.8751)		
Et-1	.0737 (.5235)		
Et-2	-.1919 (-1.3763)		
Et-3	.4577	.4226	.4814

	(3.0998)	(3.0093)	(3.3423)
SADt	.2338	.2169	.2214
	(1.5018)	(1.5012)	(1.5569)
BIFUt	-.6092	-.5676	-.6177
	(-4.2326)	(-4.2140)	(-4.5092)
<hr/>			
R2	.4805	.4163	.4521
—			
R2	.3551	.3633	.3836
F	3.8313	7.8460	6.6006
SER	.8025	.7974	.7845
DW	1.2617	1.2434	1.4797
LM F	4.5251	5.5853	2.3527
<hr/>			

t statistics in parentheses.



The results of Bifu models are fairly similar to those of trade union growth in the industry in Chapter 4. Generally, business-cycle variables are insignificant or only marginally significant and organisational factors appear as crucial determinants. The price inflation variable shows a minus effect, but none of them are statistically significant at a conventional 5 per cent level. A certain correlation between remuneration and union growth seems to be observable in the 1950s, but it is not so obvious thereafter. This is a commonly observed feature of the equations at the industry level, which makes a marked contrast with the aggregate studies. As in Chapter 4, at least two explanations may be given; disturbance of the effects by organisational factors and historical instability of the causal relationship. However, it may be because the theory, which has often been criticised as ad hoc, is inaccurately specified and the significant impact of price inflation may derive from different causalities. Each explanation seems to require further consideration - what are the organisational factors and, if there is an evidence of structural shift, how did it come about? Or isn't it natural to assume that the function of organisational factors reflect economic conditions? Why do these variables appear significant in the aggregate studies?

As for the remuneration variable, observation in the last chapter found that duration and severity in relative decline in pay often caused wide spread dissatisfaction, which provided a cause of short-run union growth. The term 'dissatisfaction' was used to denote this specific process, as the assumed causality is the other way round from Bain's assumption of a 'threat' effect. However, this was a feature of union growth in the formative era of the industrial relations system and it seems to be reasonable to assume that such a relationship changes over a period; a problem, for instance, may be resolved by effective bargaining or an arbitration by a third party or by industrial action.

As for the employment variables, only the three years lagged variable was statistically significant throughout the period under consideration, indicating that an increase in employment in a certain year can, but not necessarily, lead to union growth. This pattern is common to SA growth. Union density term without a lag structure is statistically significant and, against the assumption posited by the 'saturation' effect, it shows a positive effect.

The most important single determinant of Bifu growth is the strategic union variable. The effect of the 1967 national strike was overwhelming, but more recent less successful industrial action also seems to have had a positive short-run effect. It should be noticed that the variable captures the effect of successful recruitment campaigns and industrial actions, and such actions require popular support if they are

Table 6.2.3. Model 2 Bifu

Equations	1	2	3
Method	OLS		
Dependent Variable	BIFU		BIFU.M*
Period	1952-88		1954-88
Constant	-.1747 (-3.6224)	-.2045 (-4.1902)	-.1752 (-3.6292)
Pt		-.3013 (-1.5731)	-.1985 (-1.1367)
Rt		.3757 (2.5808)	.3404 (2.6694)
Et	.0856 (.2845)		
Et-1	.3912 (1.2891)	.4171 (1.4979)	
Et-2			

Et-3	.7213 (2.2517)	.9755 (4.4990)	.7517 (2.8655)
UDt	.0025 (3.9949)	.0027 (4.4990)	.0028 (4.2730)
SAt	-.8402 (-3.2095)	-.8538 (-3.5532)	-.9408 (-4.2134)
STRU	.1530 (7.3521)	.1507 (7.7980)	.1356 (7.9979)
<hr/>			
R2	.7948	.8327	.8488
—			
R2	.7538	.7923	.8165
F	19.3681	20.6241	26.2064
SER	.0486	.0447	.0391
DW	1.9700	1.9221	1.7625
LM F	.1740	.0743	.1116

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\* Employment, union density and rivalry variables include the estimated data in Midland Bank.

t statistics in parentheses.



Table 6.2.4. Model 2 SA

Equation	1	2	3	4
Method	OLS			
Dependent Variable	SA			SA.M*
Period	1952-88			1954-88
Constant	-.0977 (1.6989)	-.0701 (-1.4638)	-.0551 (-1.2458)	-.0539 (-1.7412)
Pt	.0054 (.0450)			
Rt	.1005 (1.1146)	.0777 (1.2695)		
Et	.1166 (.6586)	.2198 (1.4652)	.1711 (1.1560)	
Et-2	-.2824 (-1.6287)			
Et-3	.6684 (2.0894)	.4640 (2.8276)	.4193 (2.6631)	.2895 (1.9442)

SADt	.0014	.0010	.0008	.0011
	(2.0894)	(1.6900)	(1.5042)	(2.4926)
BIFUt	-.2363	-.1984	-.1977	-.2195
	(-4.5939)	(-4.5688)	(-4.5222)	(-4.8233)
STRSA	.0643	.0506	.0497	.0509
	(2.1822)	(1.9922)	(1.9459)	(2.1351)
ORG		.0377	.0421	.0301
		(3.2291)	(3.6128)	(2.8128)
<hr/>				
R2	.5584	.6396	.6348	.5958
—				
R2	.4112	.5527	.5467	.5261
F	3.7939	7.3538	7.2015	8.5498
SER	.0268	.0234	.0235	.0225
DW	1.3397	1.7155	1.5489	1.6265
LM F	2.9247	.2230	1.0164	.4751

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\* Employment, union density and rivalry variables include the estimated data in Midland Bank.

t statistics in parentheses.

Table 6.2.5. Model 2 Bifu

Equations	1	2	3	4
Method	OLS Normalised			
Dependent Variable	BIFU			BIFU.M
Period	1952-88			1954-88
P			-.1735 (-1.5973)	-.1179 (-1.1558)
Pt-1	.0468 (.4392)			
Rt		.3084 (2.8026)	.2881 (2.6174)	.2679 (2.6966)
Et	.0468 (.4637)			
Et-1	.1219 (1.3527)		.1213 (1.5187)	
Et-2				

Et-3	.2061 (2.2381)	.2890 (3.2227)	.2806 (3.1926)	.2259 (2.9041)
UDt	.3656 (3.8835)	.3620 (4.4150)	.3749 (4.5613)	.3534 (4.3258)
SAt	-.3143 (-3.2231)	-.3490 (-3.9283)	-.3186 (-3.6072)	-.3371 (-4.2801)
STRU	.6561 (7.3261)	.6329 (7.7815)	.6402 (7.8977)	.5924 (8.0893)
<hr/>				
R2	.7951	.8255	.8317	.8475
-				
R2	.7541	.7974	.7981	.8212
F	19,4063	29.3322	24.7118	32.2418
SER	.5176	.4699	.4691	.4230
DW	1.9234	1.8959	1.9088	1.7462
LM F	.0687	.0336	.0373	.1844

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t statistics in parentheses



Table 6.2.6. Model 2 SA

Equation	1	2	3	4
Method	OLS Normalised			
Dependent Variable	SA			SA.M
Period	1952-88			1954-88
Pt	.0085 (.0462)			
REMt	.2066 (1.1346)	.1599 (1.4385)		
Et	.0916 (.6706)	.1727 (1.4901)	.1344 (1.1756)	
Et-1	.0910 (.6870)		.1296 (1.1167)	
Et-2	-.2178 (-1.6582)			
Et-3	.5156 (3.6569)	.3579 (2.8754)	.3234 (2.7081)	.2433 (1.9773)

SADt	.3221	.2266	.1938	.3185
	(2.1272)	(1.7184)	(1.5295)	(2.5350)
BIFUt	-.6337	-.5322	-.5340	-.6142
	(-4.6771)	(-4.6460)	(-4.5987)	(-4.9054)
STRSA	.3020	.2378	.2335	.2556
	(2.2219)	(2.0260)	(1.9788)	(2.1708)
ORG		.3919	.4374	.3357
		(3.2843)	(3.6745)	(2.8600)
<hr/>				
R2	.5583	.6396	.6348	.5957
—				
R2	.4321	.5675	.5617	.5418
F	4.4246	8.8729	8.6893	11.0527
SER	.7530	.6527	.6616	.6777
DW	1.3392	1.7151	1.5486	1.6261
LM F	3.0534	.2383	1.0695	.5021

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t statistics in parentheses.

to succeed. Thus, although mobilisation of resources does depend upon a decision of the union leadership, a situation that make such an action legitimate in the eyes of those who are mobilised is often indispensable. The empirical problem is to specify such conditions. A related problem is the classical one in labour history and industrial relations - which comes first, union growth or an industrial action? The problem is to assess the relative role of commonly held dissatisfaction, demonstration of organisational resources and the actual returns that such actions can bring about. A strong rivalry effect is also observed. A one percent increase in SA membership would drop Bifu membership by approximately 1.2 per cent.

A problem of SA growth models is that, although the business-cycle models explain about 40 to 60 per cent of its growth, unlike Bifu models, the model performance cannot be improved much by an inclusion of the strategy variable, as historically moderate staff associations and unions have avoided such actions until quite recently. Relatively poor performance of the SA models may partly derive from the fact that the SA series is an aggregate series; membership data in the several organisations were added up, each of which is susceptible to different institutional factors. Inclusion of the organisational variable ( ORG ), which measures the effect

of 'natural increase' as a consequence of landslide shift of membership, improved model performance.

However, despite this problem, it is interesting to see that determinants of combined SA growth are somehow similar to that of Bifu. The retail price index variable generally shows a negative effect but is not statistically significant and no constructive statement seems to be made upon it. The same can be said about the remuneration variable which has a positive sign.

The three years lagged employment variable has a strong positive effect just as in the case of Bifu, but some of the less significant employment variables have a wrong sign. Although some of the density terms are not determined well, it may have facilitated union growth. The effect of inter-union competition is more prominent amongst staff associations and unions than in Bifu, indicating that one per cent increase in Bifu membership decreased the SA membership approximately by .2 per cent. An industrial action in 1987 also had a positive impact upon SA growth. To measure the effect of Bifu action upon SA growth, the STRU variable was also tested in the model, but its effect was not evident. Before we move on to an empirical reasoning of the growth processes, there are four technical problems that should be mentioned at this stage; the function of the business-cycle variables, simultaneous equations bias, serial correlation and historical shifts of estimated causal relationships.



The results suggest that the statistically observable short-run growth is rather determined by organisational variables, which is inconsistent with the theoretical assumptions of the original business-cycle models. Can the business-cycle models claim to detect individual social behaviour in constantly changing socio-economic conditions? It has already been suggested in Chapter 4 that there may be at least three explanations to this. An attempt made first was to control the effect of employment growth by using union density as a dependent variable, as in the Booth model.<sup>20</sup> A preliminary model was run, but the result was not particularly impressive. Bifu density being taken as a dependent variable, the most significant explanatory variable was naturally, as in Booth model, the lagged Bifu density variable. This result is rather obvious as density term does not fluctuate as the rate of change of membership variable. The measured effects of price, index and remuneration were similarly weak. In short, the early results are confirmed; the processes are not governed by the business-cycle variables.

Nevertheless, before drawing a hasty conclusion, reconsideration of theoretical implication and analytical specification of the processes in which organisational factors are functioning and business-cycle factors are interwoven seems indispensable and this is done in the rest of this chapter and in Chapter 7.

When one or more explanatory variable is partly determined by the dependent variable, the assumption that independent

variables in the linear regression model are uncorrelated with the error term is violated, and as a consequence, the OLS yields biased and inconsistent regression parameters estimators. There are two possible causes of this simultaneous equations bias; the rivalry variable and the remuneration variable.

The possible simultaneous determination of union growth and remuneration is not an immediate aim of this research and left open. Furthermore, as for Bifu growth, the effect of Bifu upon pay determination was essentially indirect in nature up until the establishment of the national machinery in 1968 and most of the remuneration variable in the SA models are not anyway significant. It is also observed that the correlation between  $P_t$  and  $R_t$  increases from .4118 between 1949-67 ( before the establishment of the machinery ) to .5832 between 1968-88 ( after the machinery ), but causes of such an aggregate statistical relationship is difficult to identify, as there can be plural factors such as the government incomes policy as well as the result of the collective bargaining which has often been carried out in relation to price inflation of the previous year or the beginning of the year.

One solution to the problem of simultaneous bias without constructing a simultaneous equations model is to use an instrumental variable approach ( IV ), and this is tried to detect a possible simultaneity between the rivalry variable using the Bifu growth model where an instrument is readily available. Table 6.2.7 shows the results of instrumental

variable estimation. A dependent variable is BIFU and a lagged SA variable was used as an instrument, although such a variable is truly independent from the disturbance term may still be questioned. The results are fairly similar to those obtained by the OLS.

At the final stage, models with correction for serial correlation were also run. This is due to the fact that some equations' D.W. statistic ( both Bifu and SA models ) was in an indeterminate region and the F values of the Lagrange Multiplier test was low. Note that although D.W. statistic was originally developed to detect the first-order serial correlation, it has been found that it is also robust to other types of autoregressive errors. The method used here is the Newton-Raphson iterative method, which was developed from the Hildruth-Lu method. The results are shown in the note.<sup>21</sup>

#### Historical Changes in Short-run Growth Patterns

The last problem concerns the structural stability of regression coefficients. The regression equations calculated here assume that the estimated coefficients are historically stable; in other words, overall patterns of causalities estimated by the models are consistent over the sample period. In fact, this is one of the points upon which major time-series growth models including that of Bain and Elsheikh have been criticized, as a structural shift in the pattern of union



growth can significantly undermine a predictive ability of the model.<sup>22</sup>

Concerns in historical sociology naturally differs from those of the econometricians, as the problem here is not to construct a better model in terms of predictive ability but to specify causal processes, which are probably somewhat unstable. As has been seen in the previous section, if such a breakthrough is to exist in the industrial relations system in the banking industry, the most probable hypothetical turning point would be 1968, when the JNC was established in the major London Clearing banks, which gave N.U.B.E. a national negotiation right. To test the structural stability of regression coefficients, both Bifu and SA models were split at this point and the Chow test was applied. The results suggest that some models of BIFU growth may suffer from the structural break, but none of the models of SA growth.<sup>23</sup> Note that what the Chow test indicates is that two equations in each sub-period differ statistically, and it does not specify the cause of it.

Following the assumption that there had been a structural shift, and to specify the pattern of it, separate models for each sub-period ( 1949-67 and 1968-88 ) were also estimated for Bifu growth, and then SA growth. Despite the fact that this is the method often used in a similar type of research to capture short-run changes of behavioural pattern in the historical context, much shortened sample periods will probably not allow to make a clear statement about the results and



TABLE 6.2.7    Model 2

Equations	1	2
Method	IV Normalised	
D.V.	BIFU	
Period	1952-88	
Pt	-.1543 (-1.3133)	
Pt-1		-.2070 (-1.8827)
REMt	.2990 (2.5374)	.3231 (2.8182)
Et	.0596 (.6613)	
ET-1	.1132 (1.3157)	
Et-2	-.0381 (-.3880)	

Et-3	.3257	.3191
	(2.9936)	(3.0265)

UD	.3741	.3555
	(4.1450)	(4.2327)

SA	-.4599	-.4342
	(-2.4230)	(-2.4731)

STRU	.5884	.6049
	(5.5037)	(6.2835)

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R2	.8222	.8203
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-		
R2	.7714	.7914

F	16.1864	28.3082
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SER	.4990	.4768
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DW	1.7771	1.8765
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t statistics in parentheses.

Table 6.2.8. Model 2

Equation	1	2	3	4
Method	OLS Normalised			
D.V.	BIFU		SA	
Period	1952-67	1950-67	1952-67	
Pt	-.1789 (-1.1980)		.2838 (1.5320)	
Rt		-.1879 (-1.2909)	-.4165 (-2.4764)	.0974 (.6167)
Et			.2398 (1.7797)	.3043 (1.6552)
Et-1	.6322 (3.9763)	.1882 (1.1243)	.5654 (2.8245)	
Et-2	-.8435 (-3.7678)		-1.1614 (-4.9235)	
Et-3	.2795		.5323	.0852

	(1.4751)		(3.9304)	(.4781)
UD/SADt		.3820		
		(2.3480)		
SA/BIFU	-.4994		-.7410	-.5017
	(-2.1185)		(-8.7202)	(-4.4425)
STRU/SA	.5442	.8610		
	(3.2822)	(7.6920)		
<hr/>				
R2	.9345	.8370	.9057	.6244
—				
R2	.9015	.8020	.8428	.5305
F	28.4559	23.9577	14.4063	6.6495
SER	.4307	.5799	.3515	.6075
DW	2.1415	1.6466	2.2948	1.7240
LM F	.2065	.3470	.3299	.0002

t statistics in parentheses.



Table 6.2.9. Model 2

Equations	1	2	3	4
Method	OLS Normalised			
D.V.	BIFU			
Period	1968-1989			
Pt	-.1426 (-2.1370)	-.2752 (-2.5006)	-.2384 (-2.9075)	-.2381 (-3.0241)
Rt		.1374 (1.0140)	.1893 (1.7880)	.1864 (1.9232)
Et			.0061 (.0888)	
Et-1	.1753 (2.5476)	.1752 (1.9474)	.1866 (2.7752)	.1853 (2.9319)
Et-2	.2068 (2.9875)	.1567 (1.7159)	.1823 (2.6290)	.1808 (2.7904)
Et-3	.3855 (5.1274)	.4143 (3.9760)	.4386 (5.6139)	.4374 (5.9154)

UDt	.2116	.2100	.2410	.2393
	(2.9403)	(2.1974)	(3.3125)	(3.5479)
SAt	-.2785	-.2511	-.3034	-.3027
	(-3.8661)	(-2.7023)	(-4.3159)	(-4.5079)
STRU	.4264	.2476	.4510	.4501
	(4.1376)	(2.1962)	(4.5332)	(4.7303)
<hr/>				
R2	.8246	.7289	.8635	.8634
—				
R2	.7494	.5830	.7725	.7899
F	10.9672	4.9938	9.4903	11.7409
SER	.3071	.3961	.2925	.2812
DW	2.3460	1.9704	2.1452	2.1448
LM.F	.7985	.0000	.1487	.1658

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t statistics in parentheses.

Table 6.2.10. Model 2

Equation	1	2	3
Method	OLS/N		
D.V.	SA		
Period	1968-1988		
Pt	-.3019 (-1.0988)	-.2909 (-1.1745)	
REMt	.3038 (1.0157)	.3086 (1.1656)	
Et	.0005 (.0026)		
Et-1	.2817 (1.2705)	.2666 (1.4397)	.2319 (1.5658)
Et-2	.0376 (.1685)		
Et-3	.8562 (3.2763)	.8383 (3.7775)	.5559 (3.1863)

SAD	.4812	.4769	.2175
	(1.9575)	(2.1647)	(1.0712)
BIFU	-1.3508	-1.3139	-.8670
	(-3.0130)	(-3.6216)	(-3.0285)
STRSA	.3464	.3472	.2975
	(2.1709)	(2.3922)	(2.3952)
ORG			.3586
			(2.6253)
<hr/>			
R2	.6204	.6195	.7089
—			
R2	.3673	.4564	.6119
F	2.4515	3.7983	7.3059
SER	.8582	.7955	.6722
DW	1.7544	1.7097	1.7899
LM.F	.1347	.2226	.0081

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t statistics in parentheses.



should be regarded as representing merely an approximate tendency.

There is a minor change in the explanatory variable. Institutional remuneration series are available after 1968 for all major English clearing banks under study, and this was replaced with the original series which relies upon the New Earnings Survey to improve the consistency of the estimation and especially to examine the effect of economic factors upon the growth pattern. The strategy variable now captures the effects of only successful industrial actions.

The results are shown in Tables 6.2.8.- 6.2.10. Although these two models run over different sample periods cannot be compared directly, it seems that the explanatory power of the estimated equations drops in the latter sub-period. The employment of re-formulated strategy variable improved the performance of Bifu equations, whereas the adaptation of re-formulated remuneration series dropped it in the Bifu models and slightly improved the SA models. The SA models also improved its performance when the potential membership variable was adopted for the employment and Bifu variables. The graphs of post-JNC union growth show that, although models roughly simulate the actual growth paths, they largely fail in certain years such as the 1980s for Bifu and 1972-73, 1982 and 1986 for the associations.

The general pattern of the structural shift in Bifu growth may be roughly summarised as follows. It is generally observed that,

- 1) Two business-cycle variables are generally unstable, although it had a minus sign in the latter sub-period. The back-up model using the re-formulated remuneration series fails to detect a statistically significant effect of price inflation.
- 2) In both periods, lagged employment underlies union growth.
- 3) Density variable functions in the latter sub-period, but again, the variable fails to achieve a statistically significant level in the back-up model.
- 4) The rivalry variable ( SA ) shows a stronger negative effect in the former sub-period.
- 5) An effect of the STR variable is more prominent in the former sub-period, but it is still one of the most significant variables in the latter sub-period, too.

The general pattern of the change in the nature of SA growth may be summarised as follows.

- 1) Two business-cycle variables, namely price and salary inflation, had little effect upon SA growth.
- 2) The rivalry effect is the most prominent determinant in both sub-periods.
- 3) An industrial action by two staff unions had a positive membership effect.
- 4) A significant function of organisation variables is detected.

Table 6.2.11. shows the average growth rates and their correlation of Bifu and SA in the major English clearing banks. Bifu's growth rate of over 5 per cent before the establishment of machinery plunges into around 1 per cent after the machinery, from which it has not recovered fully. Although SA has performed substantially better than Bifu in the major English clearing banks, their average annual growth rate also drops to 2.4 per cent between 1978-88.

An interesting feature can be found in the behaviour of the correlation between Bifu and SA growth. A strong negative correlation before the 1970s turned into a positive correlation of .35 thereafter. Perhaps the most probable hypothesis to explain this is that, before the JNC when SA was less active, N.U.B.E.'s action often attracted much attention, thus directly affecting SA growth, whereas an increasingly similar policy adopted by more 'unionate' SA came to blur this pattern, consequently making the choice between two genres of organisations more arbitrary for the majority of the staff.

This relates to another problem of the strategy variable. Bifu as well as SA have gradually become more unionate historically. In the 1950s, N.U.B.E. had no industrial actions. In the 1960s, it had more than two institutional industrial actions and a national strike. In the 1970s, there were two institutional actions, and in the 1980s, it undertook at least seven institutional and two national industrial actions. Probably this alone may be enough to explain a strong rivalry effect observed in the SA growth models.

Table 6.2.11. Employment and Bifu/SA Growth Rates

	Employment	Bifu	Bifum	SA	SAm	Correlation
1949-67		5.57	5.84	2.35	3.11*	-.6984
1968-77		.90	1.28	4.64	3.32**	-.6027
1978-88		-.49	1.00	2.42	1.98**	.3542
1949-88		2.74		2.94		-.4671

Notes; Major English clearing banks. Bifum and SAm include the figures of both organizations in Midland Bank.

\* 1954-67

\*\* Figures include the estimates of SA/MSF membership in Midland banks. Figures of correlation exclude these.

3. New Era of Industrial Relations

In this section, we turn to an empirical analysis of union growth over the post-war period. This serves two purposes; verification of the previous analyses and assessment and refinement of the theory. Despite the merits that the quantitative analysis has, it is still crude, largely leaving the factors that are episodic or irregular, or that are not



quantifiable. It has also been pointed out in the course of the research that the way business-cycle variables function is somewhat problematic. An empirical analysis may rectify this by specifying such factors.

Because of the historically complex patterns of the development of the industrial relations system in the industry, the growth of Bifu ( N.U.B.E.) and that of the staff associations and unions ( SA/ SU ) are dealt with separately to comply with the analytical approach in the previous section. Information for the empirical analysis comes from several sources including union records, papers and industry-based journals, but by far the most convenient sources to follow the events within the industry is union journals. Although information about Bifu is abundant and relatively easily accessible, the empirical analysis of associations and unions is hampered in this respect. The small scale of house unions often mean a lack of systematic preservation of union records and recent decentralisation of SA/SU headquarters outside London made it inefficient to collect the necessary data at least for this type research.

In fact, it was only Barclays Group Staff Union ( B.G.S.U.), the largest amongst the three associations and unions, which had a complete series of the union journal since the 1940s, and naturally a significant space is spared for this union. NatWest Staff Association ( N.W.S.A. ) has journals after the merger in 1969, but Lloyds Bank Group Staff Union ( L.B.G.S.U. ) has only

those published in the 1970s and 1980s. A complete run of the Clearing Bank Union ( C.B.U. ) journal is also available.

#### N.U.B.E. before the Machinery

The post-war period may be divided into three sub-periods in terms of different phases in the economy. The first period, a few years after the Second World War, is a transitional period from the war to the peace economy. The second period stretches from 1948 or 1949 to around 1967. It was a period of rapid economic growth with some cyclical fluctuation. On the economic policy side, Keynesian demand management was developed and refined, vastly eliminating unemployment.

Then came the distabilization of the economy which was characterized by inflation, a rise in unemployment and the stagnation in manufacturing output. The governments, being inspired by increasingly powerful monetarists, largely replaced the Keynesian technique with a stringent monetary policy to eliminate inflation, insisting that long-run stability of the economy could only be achieved through proper functioning of the market and by the creation of competitive industries.<sup>24</sup>

During the 1950s, N.U.B.E. had two upswings in its membership. One was in 1951 and 52, and another in 1955. The former peak was more modest and had some variation in different banks. In both cases, there was successful campaigns organised

by N.U.B.E., behind which there seems to have existed the staff's general dissatisfaction over the conditions of employment. It was at the 1948 A.D.M. when N.U.B.E. decided to launch the National Minimum Salary Scale Campaign. It was backed up by a very successful petition in 1950 to remedy the 'economic position caused by inadequate salaries and wages at present paid', which gathered 53,167 signatures, exceeding the union membership by nearly 20,000.

Although the lack of accurate remuneration data makes it difficult to assess the cause of this successful campaign accurately, Blackburn seems to be right in attributing it to a considerable frustration amongst staff over pay.<sup>25</sup> This may be seen from the actual relationship between institutional union growth and remuneration. N.U.B.E. increased its membership by 23 per cent in National Provincial, Westminster and District Banks, and 11 per cent in Barclays and Martins Banks, but it could not halt a decline in Lloyds ( -4.4 per cent ) where remuneration increased substantially. However, it should also be mentioned that this campaign was carried out with high price inflation in its back ground and that Bain's assumption of 'threat' effect may still hold. In fact, R.P.I. of over 9 per cent in 1951 makes a peak throughout the period of economic development in 1950s and 1960s.

Although the British Bankers Association refused to accept the petition, new salary scales were introduced in 1952. 1951 was also the year when the Midland Bank Staff Association

dissolved and this caused a influx of membership into N.U.B.E. which increased its membership in the bank by 64 per cent.

Soon after this petition, N.U.B.E. launched another campaign it called 'Programme for Progress', which was originally formulated by the executive members of the union who were 'unsatisfied with the 1952 consolidation' for a purpose of negotiation. It was also claimed to be the union's first attempt to reorganize salary structure especially to cope with the rapidly growing number of junior female staff. The union's demand was rather a case of comprehensive pay increases, which ranged from the demand for better pay for juniors on routine or semi-skilled work, 'responsibility pay' for unappointed specialists and minor supervisors, to the demand of 'maintenance of a sizeable differentials for appointed staff'. A claim of pay adjustment reflecting the retail price index was also put forward, probably following the experiences in 1951 and 52, and publicized through numerous leaflets.

This 'Programme for Progress' was successful. In fact, it was more successful than anticipated by union officials.

"Hundreds, unable to find seats, stood for an hour to listen to Union speakers as they outlined Programme for Progress in Westminster. . . This unexpected turn-out of bank workers estimated by the Daily Mail and Manchester Guardian ( was ) 6,500."<sup>26</sup>



The campaign consequently attracted some 10,000 staff into N.U.B.E. in only four months between January and April and total membership growth in this year reached well over 30 per cent. An increase in membership was observed in almost all the major banks, headed by an increase of 67 per cent in the three banks which constituted the National Westminster Bank. It also succeeded in halting a long-run decline in union membership in Lloyds which had been almost continuous after the war, most probably as a result of an increasingly effective functioning of its staff association. Staff associations generally suffered from a rivalry effect and, as a total, recorded a minus growth for the first time since the war, although N.U.B.E. attracted more members from the non-organised section of the workforce.

What was behind this extremely successful campaign? Models do predict an increase in membership in this year without a dummy, but the interpretation of the result has to be cautious because this is the year when two different remuneration series were connected and, even if remuneration did increase, it could be a result of this action rather than a cause of it that the assumption of 'credit effect' suggests.

General economic conditions in this year does not seem to have had a strong impact upon staff directly or indirectly through the union organization as the inflation rate was less than 5 per cent. The increase in employment was approximately 3.3 per cent in the major English clearing banks, or just above the average annual increase. However, the back-up series of Lloyds do suggest that the controversial 1954 cash payment was

low; approximately 653 p.a. or an increase of 2.6 per cent. This exceeded the price inflation but was the lowest rate in the 1950s bar 1951, and may have been the original cause of the mass dissatisfaction.<sup>27</sup> And, in fact, close examination of time-series data suggests that, during the 1950s and the 1960s, rapid union growth often follows a stagnation in remuneration rather than a change in price inflation, as has already been shown in the results of the models.

If a 'dissatisfaction' or 'threat' effect of a remuneration factor did induce a successful mobilization, why did not severer employment conditions in 1951, for example, lead to more successful union growth than in 1955? This fact may be explained by a strategic side of the 'Programme'; it targeted the female workforce which rapidly increased its proportion in banking at the end of the 1940s, and thereafter largely remained unorganized. This can be seen from another feature of a pattern in the recruitment. Through the campaign, the union increased its male membership by 29 per cent, but an increase in female membership far exceeded it, reaching over 44 per cent.

Apart from these exceptional years, it seems safe to conclude that N.U.B.E. growth in the 1950s was fundamentally constrained by employment factors, as shown in the models. Its relative decline in 1953 and 54, and in 1958, for instance, coincides with ( lagged ) fluctuation in employment.

During the 1960s, N.U.B.E. had two major upswings in its membership; one in 1961 and another in 1967, and a sudden

decrease in 1964. Growth models underestimate its membership in 1961 and overestimate it around in 1964. Most of the equations included the strategic union variable ( STR ) to capture the effect of an industrial action in 1967 as a dummy variable. The first upswing in 1961, may be explained by the natural 'push-up' effect caused by an increase in employment, which it shared with the staff associations. In the beginning of the 1960s, employment in the major English clearing banks increased at the highest rate throughout the 1960s, reaching 8.3 per cent. Active recruitment brought about a net increase of 8,799 and 6,655 in 1960 and 1961 respectively, whereas the union increased its membership by 1,200 ( 3.1% ) and 3,162 ( 7.9% ), and staff associations increased their membership by 3,266 ( 6.8% ) and 1,274 ( 2.5% ) in these two years. The only difference seems to be the existence of a lag in N.U.B.E. growth. Growth models may fail to capture this effect, because they captured the general significance of the employment variables with lag structure.

Except this 'push-up' effect, there are a few other factors which may have affected the growth pattern; a series of industrial actions in the Trustee Savings Banks, a change in employers' attitude and a recruitment campaign. None of them are included in the model.

Although the processes of the industrial action in the T.S.B. in 1960 and 1963 were dealt with by other writers in the field, it may be necessary to overview the issues disputed briefly. Prior to the events, a substantial alteration in the



union's constitution was made in the May A.D.M. of 1960, which made strike action a realistic weapon. Although a previous clause could authorize such an action only by a ballot of the whole membership showing five-eighths in favour, the new clause allowed a sectional strike supported by a simple majority of those concerned.

In 1960, N.U.B.E. experienced its first industrial action including an overtime ban and a ban of balance work in the Derby T.S.B. over pay and a lack of a clear salary scale for some 14 Grade B managers in the bank. The unclear demarcation of the power between the T.S.B. Employers Council and individual constituent banks posed a further problem upon a negotiation, and the action started in mid-November. An agreement between the bank and the union was reached in December, after which a new salary scale was introduced.<sup>28</sup> In this dispute, a manager expressed a view, saying, 'we did not relish marching through the town, but we are prepared to do what any railwayman or miner would do for their rights', although such a view may not have been a majority opinion.<sup>29</sup>

Following the Derby events, a series of talks were held between the Employers' Council and the union on ways to improve the procedural agreement. An introduction of an arbitration clause naturally became a focus. Such an agreement had already been established between major clearing banks and their respective staff associations from the beginning of the 1950s although they had not been executed till 1961 when L.B.S.A. referred a failure of pay negotiation to an industrial



tribunal, which was soon followed by similar moves from the Westminster Bank Guild and Midland Staff Association. However an agreement could not be reached as the Employers' Council insisted that the reference of a dispute to arbitration should be made by mutual agreement whereas the union persisted in the unilateral reference.

Then in the 1962 pay negotiation, a deadlock was reached over branch managers' salaries, and clerical and over-clerical salaries below branch managership. The union suggested the matter should be adjudicated upon by an independent arbitrator, but the Employers' Council refused this and implemented new salary scales. However, the union's call for national industrial action failed to get enough support in this year.

The dispute in 1963 also related to pay, but in the core, the issue contested was the 'virtual refusal' of pay negotiation with the union by the Employers' Council and the unilateral introduction of a revised salary scale of 3.5 per cent in July, which N.U.B.E. claimed to be in defiance of the 1947 procedural agreement. Strike ballots were conducted in four banks where N.U.B.E. had high density, namely Manchester, Thames Valley, South Wales and Falkirk in Scotland. The strong support shown by the staff in this year may reflect not only the clarity of the issue and dissatisfaction over pay, but an increasing workload that a planned introduction of a cheque-book scheme into the T.S.B. could bring about. A series of strikes, which were the first stoppages in the history of British banking, were held on Saturdays in September, and as a

result, the Employers' Council agreed with the inclusion of the arbitration agreement, which ensured that matters affecting remuneration, hours of work and holidays may be referred to arbitration by either side and the awards to be binding on both parties.

How did these series of events affected N.U.B.E. growth? It did increase its membership in the T.S.B. Its growth rates were approximately 9 and 15 per cent in 1960 and 1961, and it increased its membership by 15.7 per cent in 1963, far exceeding the average rate of 6.67 per cent in the T.S.B. movement in the 1960s. However, despite its wide coverage by mass media, there is little evidence that these events in the T.S.B. affected its growth outside the banks, indicating a limited nature of the effects of external events again.

The second possible factor which may have caused a deviation from equilibrium growth is a change in an employers' attitude. In 1960, N.U.B.E. started a comprehensive approach to the T.U.C. under the I.L.O. Convention 98 in order to obtain recognition in the major English clearing banks. The T.U.C. arranged an interview with the Ministry of Labour, who then had a meeting with Sir Oliver Franks, a chairman of the Committee of London Clearing Bankers and Lloyds Bank. He addressed in a letter to the Ministry that,

"the staff of the Banks are completely free to join the National Union of Bank Employers or a Staff association if they

wish to do so, and that the Banks did not seek to influence the position of their staff in any way."<sup>30</sup>

This statement was immediately circulated to all branches of Lloyds Bank by the union. Although the immediate response of the staff cannot be followed through the journals, it was in Lloyds Bank that the union increased its membership by 14 per cent in 1961, twice as much as the overall growth rate of the union in this year. L.B.S.A. decreased its membership in this year. There was also a membership recruitment campaigns in 1961 and 1962, but the scale of them may not be very different from those carried out almost constantly and perhaps their effect will not be over-emphasized.

Probably the more significant is the membership decrease in 1964, when N.U.B.E. declined in membership by over 11 per cent in the clearing banks in the midst of its 'President's membership campaign', although it did increase in the T.S.B. where a successful arbitration brought about a pay increase. The decrease was marked in National Provincial, Westminster and District banks, where it decreased by 14.5 per cent, which was followed by Lloyds and Midland. The reason for this is a little difficult to identify. The factor may not be economic as the models tend to overestimate this years' growth rate. In fact, economic conditions were not so unfavourable in this year. Price inflation was under 4 per cent, a lower figure than the salary inflation in the financial sector. Average remuneration per staff in Lloyds, for example, increased by 7 per cent in



1964, which was the highest nominal increase throughout the 1950s and 1960s. At the same time, employment in the major clearing banks increased approximately by 5 per cent.

Some hypothesis can be made for this rather eventless year; a rivalry effect caused by an effective functioning of the staff associations, a change in employers attitude, the negative effect of the T.S.B. strike in the previous year and an increase in subscription. The first point will be reconsidered when the growth patterns of staff associations are dealt with. This explanation is possible, although it does not fully account for the decline of the union. Most of the staff associations increased their membership in the mid-1960s and the growth rate of the largest nine reached 7 per cent in this year. This is a net increase of 4,700 which accounts for approximately 95 per cent of this year's employment growth, indicating a flow of membership from N.U.B.E. to the staff associations.

There also seems to be some ground to argue that the decline originates in the unchanged employers' attitude. After the publication of the Cameron Report in November 1963, union executives headed by an able general secretary, Brooks, continued pressing the banks towards the establishment of national negotiating machinery. However, despite recommendation of the Report to the four banks, namely District, Martins, National Provincial and Yorkshire Banks, to accept the oral representation from the union, they firmly rejected it. N.U.B.E. intended a substantial increase in its membership to



press the banks and the 'President's Campaign' was arranged at the Area Councils' level of the union. A series of union fortnights were held in the areas of high potential, which was helped by visits of union organisers. Then, towards the end of the year, the 'National Petition for the Five Day Week in British Banking' was launched, which claimed to have gathered over 80,000 signatures, or 20,000 more than total union membership. But membership itself failed to increase.

Can a successful industrial action bring about a negative effect upon union growth? Provided the utilitarian commitment of the staff to the union in terms of the maximization of material gain and protection of the position, certain 'unionate' actions may be against the general preference of the staff, as they endanger it rather than achieve it. Unfortunately, no evidence to support such a hypothesis can be found in 1964. But such cases have been observed from time to time, for example, when N.U.B.E. established a closed shop agreement with the Co-operative Bank in 1976, which superseded the then operative agency shop agreement, or when Bifu undertook industrial action in 1981, although overall balance of the membership seems to have been positive in both cases.

The last plausible factor is an increase in the subscriptions that the union undertook to resolve the financial crisis that the Cameron Inquiry, the T.S.B. disputes and a strike in the Habib Bank brought about. A separate effect of such a factor cannot be measured, although a pre-war experience suggests it can be minimal. If there is anything which supports

this hypothesis, it is the extent of the increases, that more than doubled the subscriptions of women.

On the other hand, the effect of 'Action 67', through which N.U.B.E. succeeded in obtaining national recognition in the major English clearing banks and establishing the Joint Negotiating Council for Banking, is overwhelming throughout the history of the union. In most of the models, this effect is captured by a dummy variable. N.U.B.E.'s total growth rate was over 30 per cent in 1967. There are some variations in the banks, and again, the increase in the three banks that merged to form National Westminster Bank in 1969 was the most prominent, reaching over 55 per cent, which was followed by Lloyds, Barclays and Martins and Midland Banks. Employment in major clearing banks increased approximately 3.6 per cent or 5,500 in this year whereas some 2,600 staff left the staff associations in total. Hence even if all the net decrease of staff associations was absorbed by N.U.B.E., it can be assumed that almost a half of those N.U.B.E. gained in this year were not members of either the union or the associations.

Most of the staff associations suffered from a 'rivalry' effect, but the effect was minimal amongst Lloyd's and Barclay's associations' and in fact, the Midland's association slightly increased its membership. Again the marginal propensity to unionize was the strongest in the constituent banks of National Westminster, where Westminster Bank Guild, National Provincial Bank Staff Association, National Provincial Bank Ladies' Guild and District Bank Staff Associations

decreased their membership by well over 10 per cent. The problem is this - how was this extremely successful campaign organized? Why has it not been repeated since? What sort of relationship can be observed between the industrial action and union growth? How can it be generalized? It is necessary to follow the process of the event in more detail to get an insight into these problems.

The real issue contested in this campaign was the acquisition of recognition and the establishment of the machinery, but it was successfully linked with some other controversial issues of pay, opening hours and the five day week, which enabled N.U.B.E. to mobilize a substantial proportion of the staff into the campaign. As described in the first section of this chapter, the union officials started an effort to carry the recommendation of the Cameron Report a stage further immediately after the publication of the Report in 1963. After a series of meetings between the banks, N.U.B.E. and the C.C.B.S.A., a working party was set up, which succeeded in producing a draft constitution for the national negotiating machinery at the beginning of 1967. Only the Midland Bank and its staff association dissociated themselves from the working party.

N.U.B.E.'s A.D.M. approved entry into the machinery with only a handful of dissentients, and the majority of the banks were also prepared to accept it, provided their respective staff associations did. However, only the staff associations in Barclays and District Banks did so unreservedly. The situation



changed in June when the staff associations in National Provincial and Westminster Banks came out against the machinery, which terminated the talks. Banking Information Service released a press communique in the next month, stating that inadequate support had been found for those proposals among the staff associations and that the banks had concluded that effective machinery could not be established at this stage. After this, the union embarked upon an attempt to obtain recognition by its own actions.

This move was, in fact, helped by an unsatisfactory pay consolidation. Incomes policies had been successively adopted to control recurrent inflation since 1965, both by the Conservative and the Labour governments.<sup>31</sup> The 'Report on Salaries of Midland Bank Staff', which was published in November 1965 by the National Board for Prices and Incomes ( P.I.B. ), had already made a restrictive recommendation upon the pay increase in the London clearing banks. N.U.B.E. as well as C.C.B.S.A. had opposed this, with the exception of Barclay's Association which took a 'realistic' approach to it. Especially N.U.B.E. expressed strong anxiety and insisted that only a national organization can combat the pressure being exerted from outside banking, in the form of incomes policy.

Then in July 1966, the government imposed a statutory control on incomes for the first time, started with a six-month freeze on prices and incomes followed by another six-months of severe restraint. This rapidly increased labour unrest in



Britain and the T.U.C. formally expressed its opposition to the Prices and Incomes Act in March 1967.

Although N.U.B.E. lodged with a 10 per cent pay claim in July when the restraint ended, the pay awards that followed a two-years freeze of bank salaries were 2.5/3.5 per cent, which aroused a strong resentment amongst the staff. In August, N.U.B.E. started an 'extensive programme of education' to mobilize opinion and to explore the possibility of industrial action, which came to be called 'Action 67'. Open meetings 'held in a month not normally conducive to good attendances' were reported to be very successful.

This staff dissatisfaction was further stirred by the postponement of Saturday closure and the announcement by the Committee of the London Clearing Bankers of a new proposal on opening hours, which provided for a package of early closure and late night opening in some selected areas, generally increasing banking hours. The Bank Officer reported that,

"This hostile reception to the proposals has produced a spontaneous reaction unprecedented in the history of banking. Total rejections have been received from all over the country and the numbers of new members recruited in October alone could well exceed six thousands,"<sup>32</sup>

compared with 1,040 who joined the union in August.

It was to back up this membership increase that N.U.B.E. embarked upon an attempt to obtain recognition, which was

effectively connected with the claims of a 10 per cent pay rise and Saturday closure. Banks soon moved to head off a possible industrial action by abandoning the plan to experiment with late opening once a week in some selected areas, which constituted a part of a "package deal" with the staff associations. However, the support of members as shown in the strike ballot was strong and a series of two-day strikes on Fridays and Saturdays were held in Wales at the end of November and then in the North, including Blackpool, Bolton, Doncaster and Nottingham in the beginning of December, where union representation and militancy was strongest. It was reported that a total of 2,800 and 1,410 union members were brought into the first strike action in the major clearing banks.

Immediately after the first strike, William's and Deacon's Bank ( merged later to form William's & Glyn's, and then the Royal Bank of Scotland ) announced its willingness to recognize the union, and later, two of the 'Hawks', National Provincial and Westminster Banks agreed to take part in the talks with the union and the C.C.B.S.A. on the national machinery, including such items as hours, holidays and overtime, which were previously non-negotiable. Midland Bank also announced its entry into the machinery in April, and the Joint Negotiating Council For Banking, based upon the collapsed July proposal, was formally established in May 1968.

There is some evidence to argue for the immediate effect of recognition upon union growth. A manager of a clearing bank, for example, describing the changes that the establishment of

the national machinery brought about, said that the atmosphere in the bank,

"changed out of all recognition. When I came into the Bank, The Bank Officer's Guild, as it then was, was a very minor struggling little association which was not popular except with a few fringe area types of staff. The staff association was that or nothing. There was disinterest and that's changed out of all recognition."<sup>33</sup>

The reason for institutional differences in union growth is difficult to identify because of a lack of necessary information. It is quite possible to argue that a series of merger talks, beginning with the financial integration of District Bank into National Provincial Bank in 1962, created a strong threat effect, but it should be noted that it was not before the 26th January 1968 that the merger between Westminster and National Provincial Banks was officially announced. The banks also gave assurances to both N.U.B.E. and the staff associations that no redundancy would be made in relation to the merger.<sup>34</sup>

It can be seen that this extremely successful campaign was a result of several factors. One crucial factor was a long freeze in pay imposed by the Prices and Incomes Policy, which caused wide-spread staff dissatisfaction. However, a direct trigger of union growth was the announcement of the extension of the opening hours, and union growth during or after the industrial



action is not very prominent; little evidence can be found to support a 'credit' effect or a 'demonstration' effect in relation to the strategy variable and the major causal path seems to be associated with a concept of 'dissatisfaction' or 'threat'.

### Bifu After the Machinery

As has been shown earlier, the average growth rate of Bifu in the major English clearing banks dropped to just above 1 per cent over the post-JNC period, in comparison with 5.84 per cent between 1949 and 1967, consequently pulling down union density from 29.1 per cent in 1955, one of the peak years, to 26.7 per cent in 1989. However, a marked development of Bifu in other financial institutions made it the 19th biggest union in Britain by 1980 and the 16th by 1988. At the same time, it was observed that the pattern of growth itself had changed as explained in the second section of this chapter.

Consequently, there are deviations from an equilibrium growth path assumed and calculated in terms of the business-cycle or organisation models. They do not explain a crucial failure of the union in the clearing banks in 1973 and 74, and a long-run decline and stagnation in union membership between 1978 and 1982, nor an unstable pattern of union growth after 1983. Some of them may derive from long-term factors that were



continuously present. There may be qualitative factors or quantitative trend factors, both of which are difficult to incorporate into the models because of the nature of the variables, leaving a certain proportion of the variance in the dependent variable unexplained. The task of this empirical section is to identify the causes of such deviation and find an appropriate explanation.

After the growth that the dissatisfaction which lead to 'Action 67' brought about, N.U.B.E. maintained an upward trend until 1972. The difference in the membership between the union and the staff associations became minimal in 1971, or a difference of around 8,000 in the largest three banks and much less than this in all the clearing banks in the machinery, which crucially affected the voting power at the Staff Council of the Joint Negotiating Council. Models predict this pattern reasonably accurately.

N.U.B.E. succeeded in maintaining a high growth rate of around 10 per cent in major English clearing banks in 1968. The cause might be identified from the quarterly growth rates. The union increased its membership by 0.07 per cent immediately after the industrial action ( 31. 12. 1967 - 30. 4. 1968 ). And then, 0.32 per cent ( 1. 5. 68 - 31. 7. 68 ), 3.63 per cent ( 1. 8. 68 - 31. 10. 68 ) and 4.85 per cent ( 1. 11. 68 - 31. 12. 68 ). It can be seen that the industrial action in the end of 1967 and a subsequent establishment of the national machinery had little influence upon union growth, indicating a very weak function of a 'demonstration' or a 'credit' effect.<sup>35</sup>

Natural push-up by an increase in employment which started in the autumn can be a reason, but N.U.B.E.'s growth was twice as high as the growth in employment.

An organizational change and a consequent sense of insecurity that the formation of National Westminster Bank brought about may be another cause of union growth, as a certain swing from the staff associations to the union seems to be observed. This shift may be captured by the rivalry variable. 1968 was also the year when the first fruits of the national machinery took an actual form. The C.L.C.B. announced in September that all banking offices would be closed on Saturdays from July 1969. However, even if it was, it was only in an indirect fashion as the decision was taken solely by the Committee, without consultation in the J.N.C.

Rather, it can also be argued that, as in 1967, government intervention inspired a certain degree of dissatisfaction. The first pay claim by the Banking Staff Council produced a satisfactory result of an overall increase of 7 per cent in September, with a higher percentage for women. However, when this settlement was referred to the Department of Employment and Productivity later in the year, a procedure that the then operational Prices and Incomes Policy required, a degrading interim increase of flat a 3.5 per cent was decided. The C.B.S.A. accepted this shortly afterwards. Against this, N.U.B.E. planned a ban on Government business and a half-day strike on January 1969 to enable the members to take part in a mass lobby and a demonstration. Although the proposed

industrial action was downgraded to a voluntary strike because of insufficient support from the staff, the lobby and the demonstration were reported to be successful and through strenuous negotiations, succeeded in obtaining a retrospective payment in October 1969.

The fact that a few events took place almost simultaneously and the lack of the quarterly membership data from 1969 make it difficult to disentangle the key factor behind union growth. However, a higher growth rate towards the end of 1968, and a high growth rate of 9.74 per cent in 1968 compared with 5.26 per cent in 1969, seems to suggest that staff joined the union as a response to an unfavourable condition of employment imposed successively by the government, supporting the view of an institutional economist that trade unions are basically 'defensive organization'.

There are some other events in the industry around this period; a salary restructuring based upon a new job evaluation in the mid-1971, and the establishment of institutional negotiating machineries ( Barclays; May 1969, National Westminster; June 1970, Lloyds; November 1970, Midland; December 1970 ). The agreements with Barclays and National Westminster included negotiating rights for managers as well as clerical staff and the same rights were granted by Midland in 1974.

Is there any evidence to argue that the 'Barber boom', an artificial expansion of the British economy at the beginning of the 1970s, had a significant impact upon union growth, as



business-cycle theories generally assume? The answer is probably no. Price inflation was almost reaching a historical level of 10 per cent in 1971 and bank profits soared, lead by a nominal increase of 48 per cent in Barclays Group in 1971 and approximately the same rate in the National Westminster Group in the next year. Favourable economic conditions also brought about an increase in remuneration of well over 10 per cent in nominal terms, slightly pushing up the actual standard of living. Consequently, no prominent dissatisfaction was observed amongst staff, and both the union and the SA marginally increased their membership in the first year of the boom.

Membership increases in 1967 and 68 pushed N.U.B.E. up right behind the C.B.S.A., although the staff associations still had superior voting power on the Banking Staff Council. This situation was basically unchanged until 1973, when N.U.B.E. lost members in most of the English clearing banks by approximately 10 per cent for two years running. Business-cycle models generally overestimate N.U.B.E. membership in these years, indicating that the variables employed provide probably only a partial explanation for the loss. Probably, the most curious thing about it is that there seems to have been no obvious events which could prompt staff disaffiliation. There was the resignation of the General Secretary, Brooks, and the appointment of Mills, who studied politics, philosophy and economics at Balliol and started his career as an industrial relations specialist, in July 1972, and N.U.B.E.'s expulsion from the T.U.C. in September 1973, which are generally assumed



not to affect social behaviour of the employees in any significant way.

Both N.U.B.E. executives as well as SA executives, whose organisations were rapidly expanding, seem to have been dismayed by this landslide change in the numerical balance of the organisations, especially since negotiations on pay and other conditions had been carried out as usual and were bringing about some favourable results. A pay settlement of 7 per cent, a little lower than the current inflation rate, effective from January 1973 was reached in November 1972, although its implementation was deferred until April because of the government's attempt to control inflation in terms of incomes policy, 'Programme for Controlling Inflation'. Following this, the union and the staff associations succeeded in obtaining a substantial increase in London and large town allowances, effective from November 1973 and August 1974, and then an increase in pay in January and in the summer when the government's pay restriction was lifted. It was in the midst of these negotiations when N.U.B.E. suffered a severe defeat in the core of the organization.

An official of the Barclays Group Staff Association wrote in its journal that, surprisingly, many staff were just waiting to be asked to join the association by its organisers. N.U.B.E. executives, on the other hand, expressed strong apprehension and attributed this decline in union membership to the joint negotiation with the staff associations, insisting that both

domestic and national joint machineries created institutional 'free riders'.

"N.U.B.E. does the lion's share of the work involved in such machineries and yet some of the staff associations reap the membership benefit because of the lower subscription they charge. It was because of this that we have considered pressing for separate negotiating machinery."<sup>36</sup>

What were the real factors which brought about this shift in the patterns of unionisation? Can the statement of the union official be justified, and if so, to what extent?

One of the features of this unexpected decrease in N.U.B.E. membership is its disproportionate pattern amongst the clearing banks ( Table 6.3.1.). In 1973, it lost 18.3 per cent of its members in new National Westminster Bank and 11.8 per cent in Lloyds, but only 5 per cent in Barclays, and it increased its membership by 2.1 per cent in Midland Bank. In 1974, it continued losing membership in National Westminster, down a further 15.5 per cent, which was followed by losses in Barclays and Midland. Although there is no accurate information on the sex composition of these lost members, some data suggest that more female staff may have defected from the union.

From this disproportionate nature of N.U.B.E.'s loss and from a comparison with N.U.B.E.'s increase in 1967 and 68, we can make a hypothesis about the cause of it; a rivalry effect,

which can be both short-run and long-term, and a 'natural lapse' that followed a rapid expansion at the end of the 1960s, and economic and other factors. Models partly explain the decline because it captures the latter effect.

i) Rivalry Effect; This seems particularly applicable in the case of Barclays where the staff association was extremely successful between 1971 and 1974, reaching the peak growth rate of 28 per cent in 1972, consequently pushing up the total SA figures used for the model estimation, whereas Lloyds' association was hit severely in 1971. However, this did not immediately lead to a decline of N.U.B.E. membership, probably either because some members maintained dual membership for some time, or because those disaffiliated from the union were not struck off immediately from the membership record.<sup>37</sup>

The case seems to be of some theoretical interest as it fits the economists' explanation; demand for union services can be determined in terms of the costs and benefits of them. N.U.B.E.'s subscription had been considerably higher than that of the staff associations and financial difficulties had forced the executives to increase it further in 1974, which had been kept constant since 1971. Consequently, the annual subscription for staff 25 years old and over became 9 p.a., a comparable figure with A.S.T.M.S. which charged 10, but substantially higher than Barclay's Association ( 4 ), National Westminster



Table 6.3.1. Patterns of Membership Swing 1972-74

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		N.U.B.E.	S.A.
1972	Nat.West	886	633
	Barclays	-182	5581
	Lloyds	601	1019
	Midland	-12	
1973	NW	-3908 ( -18.3 )	793 ( +3.3 )
	B	-1300 ( -5.0 )	6177 ( +24.0 )
	L	-1341 ( -11.8 )	356 ( +2.1 )
	M	225 ( 2.1 )	206 ( +2.0 )
1974	NW	-2714 ( -15.5 )	1404 ( +5.6 )
	B	-3513 ( -14.3 )	2326 ( +7.3 )
	L	-212 ( -2.1 )	845 ( +4.9 )
	M	-693 ( -6.3 )	N.D.
TOTAL	NW	-5736	2830
	B	-4995	14084
	L	-952	2229
	M	-480	N.D.

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Note: The figures show actual increases and decreases of members. Those in the brackets are the annual growth rates.



Association ( 3.60 ) and Lloyds Association ( 3.60 ), although most of the associations charged managerial staff more, and anyway, staff obtained exactly the same benefits from the JNC. National Westminster Staff Association, for example, publicized this difference, appealing for the cost-performance of their organization. Nevertheless, the subscription itself is not that much and there seems to be some ground to argue that the difference in the services offered had come to appear a determinant in the choice situation at around this time.

ii) Natural Lapse; The growth rate of N.U.B.E. in the National Westminster Bank ( i.e. three constituent banks ) was 81.4 per cent or a net increase of 7,122 in 1967 and 68, only followed by Lloyds. It has often been observed that the marginal propensity to unionize seems to be higher in this bank than in others, but it is difficult to identify the reason of it because of a lack in information at the institutional level. Provided the fact that the swing of members from N.U.B.E. to SA is not very prominent in these two banks, it seems to be natural to assume that many members simply defected without finding the benefits of union membership.

This phenomenon of natural lapse, which has been observed historically and yet has not been incorporated in the growth models, may be explained by a historical stability of the aggregate preference structure of the employees about a collective vis-a-vis individual bargaining and a desirable type

of collective bargaining, and hence by a stable pattern in the propensity to unionize. Strong dissatisfaction that derives from degrading economic conditions at a certain time, for instance, may drive the employees to the union, but they disaffiliate in the long-run without finding any benefits from the affiliation any more. Hence, what caused union growth in such a case is a short-run change in the economic and social conditions, and as it stabilizes, the union growth path would be pulled back towards the long-run equilibrium level.

If this had been the case, to what extent was N.U.B.E.'s growth in the late 1960s caused by a shift from a long-run equilibrium path and how did the stabilized membership at the beginning of the 1970s differ from that path? We can assume that there was no growth associated with 'Action 67' and that N.U.B.E. maintained an equilibrium growth in this year. If we take the narrowest definition of 'equilibrium' growth, namely that of the original business-cycle models without a rivalry variable, the estimated growth rate of the union is 4.4 per cent in 1967, instead of the actual growth of 38.4 per cent. This means the assumed equilibrium membership of 36,400, which is about 11,900 less than the actual figure. Assuming other things being equal, this figure roughly matches the loss of the union between 1971 and 1974, indicating that, the possible existence of rivalry effect being considered, the union still increased its membership more than the equilibrium level through Action 67.

Of course, the reality is not as simple as this. There exist some other factors. High turnover rate especially amongst the female staff in the industry, for instance, means that the union has to replace from 15 to 20 per cent of its total membership each year, whose value inevitably fluctuates.

iii) Economic and Other Factors : Are there any direct causal relations between this shift and the business-cycle or organisation variables? Employment, for example, was increasing at the rate of 4.6 per cent and 9.8 per cent in the major English clearing banks including Midland Bank in these two years, which were above the average expansion of approximately 3 per cent a year between 1952 and 1989.

We can also trace the exact behaviour of price inflation, actual average remuneration paid to staff in these years and the net profits of the banks to examine their effect upon union growth. The latter two series are available for all the major clearing banks after 1969. The effect of the oil shock at the end of 1973 is clearly observable in the banking industry. The clearing banks dropped their net profits from 20 to 55 per cent amidst the stagflation in 1974. However, as mentioned earlier, this did not directly hit pay negotiations, as it was rather subject to incomes policies. The implementation of a pay rise in the summer brought about substantial increases of 18 to 30 per cent when the artificial restriction was lifted. This was followed by a boost in London and large town allowances. Consequently, 1974 saw one of the highest increases in



remuneration in the decade; real pay in the largest three banks and their associated companies increased by nearly 10 per cent, excluding the possible function of a dissatisfaction or a threat effect. As has been seen, the impact of the credit effect is dubious and it seems to be reasonable to assume that this shift was mainly caused by the organisational factors mentioned above.

Another organisational factor that may have affected union growth during this period is the merger of Midland's Association into A.S.T.M.S. in 1974. This event proved to be rather beneficial to N.U.B.E., as staff seems to have avoided the more militant A.S.T.M.S. and began joining N.U.B.E., although it was after 1976 when the members of Midland Bank Section started to transfer to N.U.B.E.

N.U.B.E. moved swiftly to halt the decline in the clearing banks, although the measures they took may have depended upon their understanding of the cause of the loss. As short-run policies, it launched a national recruiting campaign with a particular emphasis upon the major clearing banks in 1975 and 76, which succeeded in just halting further loss, and decided to ask ACAS for an enquiry into industrial relations in some clearing banks. As a long-run policy, it pressed for merger talks which it had started in 1971, being prompted by the move of A.S.T.M.S. As the talks reached a deadlock over the problem of centralization of the proposed merged union, it began looking into the possibility of winding-up the Council and



establishing separate negotiating machinery without the staff associations.

It was only in 1976 when N.U.B.E. recovered temporarily from this defeat in the English clearing banks. Models generally underestimate union growth in this year. N.U.B.E.'s growth rate was approximately 6.5 per cent in the 'big four', exceeding the SA growth rate of 3.14 per cent in the largest three banks or just under 2 per cent including the estimated figure in Midland Bank. Between 1976 and 78 there was a slight recovery in the economy from the 1975 slump. Employment in the three banks increased some 2,200 in 1976. Since N.U.B.E. gained a net increase of 2,405 and staff associations 2,585, they seem to have recruited more from the non-organised section of the labour force, although union density itself was decreasing slowly in the long-run.

Prices and incomes policies were still operational till they were completely abandoned and replaced by monetary policies in 1979. Despite this, price inflation was prominent, possibly enhancing a general expectation of the staff upon a desirable rate of rise, and if dissatisfaction effect is to be observed in the 1970s, it would most probably be in 1976 or in 1977, when the standard of living deteriorated. Although it is difficult to confirm it empirically, it might have provided one of the reasons for union and SA growth in these years.

Following the recruitment campaign in 1975, N.U.B.E. launched another campaign in the next year with a particular emphasis upon the English clearing banks, which it called

'Campaign 76'. In this campaign, an emphasis was put upon redundancies. In its background, there was rapidly increasing unemployment in the British economy, although it was still only 5.8 per cent in 1977. In the banking industry, the problem first arose in some secondary banks. However, it also became a focus in the clearing banks when Midland Bank carried out a relocation of bank departments to Sheffield and a branch network review in the mid-1970s. Branches were leafleted, mass meetings were organised and some 26 temporary recruiters were deployed along side union organisers.

Perhaps the result of the campaign should be said to have been modest in comparison with its scale and the increase in employment in the year. It did increase its membership by 11 per cent in the Midland, but the growth rate in Barclays was merely 3 per cent, indicating a continuous function of organisational factors.

The 1980s started with a slump which was carried over from 1979. Business performance of the clearing banks was also relatively poor in the first half of the 1980s, the only exception being 1982 when the major banks increased their real profits by around 4 per cent. This situation was basically unchanged until 1985, although deregulation of the finance sector in the mid-1980s brought about an increasingly competitive product market and unstable patterns of bank performance.

Trade unionism in Britain also underwent an era of winter in the 1980s. Total trade union membership started to decline in

1980, soon reaching a peak rate of -6.5 per cent in the next year, thereafter almost constantly decreasing by a few per cent every year. Part of this directly derives from the stagnation of the economy, which continuously diminished the size of the labour market between 1979 and 1986. Thereafter, employment began to increase, but many trade unions have failed to absorb the increase in potential membership.

The experiences of trade unionism in the banking industry bear some similarities with as well as differences from this general pattern. Bifu, as it is called after 1979, again lost members in the English clearing banks continuously between 1977 and 1982. But this is only partly explained by the rivalry effect, as two of the staff association and union, namely the NatWest Staff Association and the Lloyds Bank Group Staff Union, also stagnated between 1978 and 1982. However, during the same period, employment in most clearing banks was expanding at annual rates of 1 to 6 per cent, with the only exception in 1981.

After this stagnation, Bifu increased its membership in the same category substantially in 1983, which possibly reflects dissatisfaction amongst the staff over some conditions of employment and the industrial action solely organised by the union. Then it again lost members between 1984 and 86, after which it succeeded in increasing its membership again.

Growth models at the early stage of modelling largely failed to predict this complex pattern in Bifu growth. They substantially overestimated it in 1981, 84 and 85, whereas



those in 1983 and 88 were underestimated. As will soon be seen, much of these deviations from the equilibrium growth derive from changes in the conditions of employment and the industrial actions taken by the union to remedy them, both of which were subtly affected by the rivalry effect. This can also be shown quantitatively, as the strategic union variable being properly specified, the models trace the behaviour of Bifu growth fairly accurately as shown in the previous section.

It seems natural to assume that N.U.B.E.'s decision to withdraw from the J.N.C. in March 1978 derives from the membership loss between 1973 and 75 in the English clearing banks, although different attitudes towards pay negotiations and a lack of co-ordination on the staff side provided the executives with the opportunity. N.U.B.E.'s withdrawal was immediately followed by that of the Federation, making all joint national negotiations inoperable. Domestic negotiations were consequently carried out separately between the banks and N.U.B.E., and the banks and the staff associations without formal procedural agreements for a few years. This major breakdown in the industrial relations system may have put the staff off from trade unionism to some extent.

N.U.B.E. increased its total membership by approximately 20 per cent between 1978 and 82, but much of this increase took place outside the banking industry, particularly by absorptions of staff associations in the insurance sector, and when it changed its name to the present Banking, Insurance and Finance Union ( Bifu ) in April 1979, about half of its membership were



outside the London clearing banks, and some 20 per cent were outside the banking industry.<sup>38</sup> The decline between 1978 and 82 in the clearing banks seems to be explained by two factors; a rivalry effect and economic factors, although the presence of institutional industrial actions may have affected the general pattern.

The first point can be justified because the decline in Bifu membership largely took place in Barclays Bank, where it lost 5,400 members, or nearly 30 per cent, in the four years with a peak in 1979, which largely off-set modest increases at National Westminster and Lloyds. During the same period, Barclay's association, which became Barclays Group Staff Union in August 1980, increased its membership by over 4,000, or approximately 11 per cent. However, this explains only a part, as the membership loss of N.U.B.E. started in 1977 whereas it was only in 1980 when B.G.S.U.'s growth rate exceeded that of employment in the group. Hence it seems to be reasonable to assume that a long-term rivalry effect had been constantly present, but the second business-cycle factor pushed down both Bifu and SU growth. This point will be discussed later in the chapter.

The success of Bifu in the Midland Bank shows a marked contrast with this, again indicating a crucial function of the external organisational factor. Its growth rate in the bank reached a peak of just under 20 per cent in 1978, 4 years after the transfer of the association into A.S.T.M.S., although an influx of members seems to have started in the very year of the

transfer. This may reflect a general preference of the staff, who tend to demarcate themselves from militant manual trade unionism. A new procedural agreement, in which the bank dropped its previous neutrality and announced its recommendation to staff to join one of the recognized trade unions, also came into effect in December of this year.

The second one is the business-cycle factors which may also explain the stagnation in SA/SU membership. The presence of high inflation especially before 1982, dwindling profits in major banks and the existence of a massive number of the unemployed which reached over 10 per cent in the beginning of the 1980s may have lowered the expectation of the employees upon pay as well as collective bargaining, thus making the appearance of general dissatisfaction more improbable.

However, in 1979, there were two institutional disputes between the union and Lloyds, and the union and Midland Banks. The dispute in Lloyds was over an extension of opening hours for 'in-house' cashpoints, against which an industrial action was taken in some branches where experiments with the new working practice took place at the beginning of the year. Another industrial action was carried out in the Midland Bank Computer Centres, a new strategic point of union actions, over pay. Under the auspices of ACAS, an improved pay offer was obtained in June, which set a standard for other clearing banks. However, the effect of both industrial actions upon union growth seems to have been rather marginal in comparison with organisational factors.

In July 1980, Bifu reconstituted its expanding organisational structure by setting up the English Clearing Bank Section for the purpose of co-ordinating the negotiations with the Federation of London Clearing Bank Employers. It was partly a move set against the launch of the Clearing Bank Union which followed a failure of the Johnston merger talks, but increasingly complicated structure of the large organisation had already caused some drawbacks in comparison with the house unions and association. It was the fourth section to be created in Bifu.

1981 saw a major industrial action over pay, which ended in failure. The union launched a 20 per cent pay claim towards the end of 1980, which it claimed to be necessary for the maintenance and an improvement in living standards of the members. Similar claims had been submitted by the union for successive years, reflecting the high price inflation in the midst of the slump between 1979 and 1981, although a slight recovery in profits in the clearing banks gave the union another ground for their claim. The Federation's final offer of a 10 per cent increase was rejected by the union and two stages of strikes and overtime bans were held at Lloyds and Barclays Computer Centres in March, and then in the High Street branches of the clearing banks as well as the Bankers' Automated Clearing Services which is used by all the clearing banks for direct debits, credits and standing orders, in April and May. Bifu claimed that the action was a 'total success', closing down 300 branches.



Despite the fact that Bifu members are more inclined to support 'unionate' actions than those organised into SA/SU, the attitudes amongst the SA/SU members showed a marked contrast with those held by Bifu members. The C.B.U. ballot in early April indicated that 70 per cent of its members who returned the ballot papers expressed an acceptance with a 10 per cent offer, upon which C.B.U. announced non-cooperation of the Bifu action. Bifu members balloted to accept the offer in May against its executives strong recommendation to take further industrial action. There seems to have been some objection to industrial action in the midst of depression even amongst the members. However, the General Secretary, Mills, gave a positive comment upon the effect of the action on membership in the same month.

"While a number of members had left the Union because of disagreement over the recent industrial action, a far greater number had actually joined us. So far this year, the total Union membership has increased by almost a net 3,000 and the majority of those come from the English clearing banks."<sup>39</sup>

However, the extent of dissatisfaction cannot be over-emphasized. In May, for instance, it was only about 15 per cent of the organised staff who voted for the recommendation to take militant action, probably indicating a discrepancy between the intention of union executives and the preference held by the majority of the employees.<sup>40</sup> Despite its Autumn Membership



Campaign, union growth in this year was negligible, just compensating for the loss derived from staff turnover. External organisational or structural factors still seems to have been prominent, as it did increase its membership in the Midland by some 600 or 3.4 per cent, but lost about the same number in Barclays.

Compared with this, the effect of the industrial action over the Christmas holiday in 1983 is important. Despite the fact that Bifu again failed to force its demand, an increase in membership indicates that the action was backed by more widespread dissatisfaction amongst the staff. In the strike ballot held later in 1983, 53 per cent of the members voted in favour of a half-day strike on December 23rd, and Bifu succeeded in attracting some staff through the campaign.

"At a time when nearly all unions are losing members, there has been a massive influx of new members into Bifu. Some thousands of clearing bank staff have joined the Union during the past four weeks and this trend continues, clearly indicating the concern of staff over the loss of their half-day holiday at Christmas."<sup>41</sup>

Bifu succeeded in obtaining some support from a certain section of staff unions and it consequently increased its membership by over 8 per cent in this year, whereas SA/SU growth was minimal. This effect is captured by a dummy variable in the model.

However, there seems to be some grounds to assume that the observable dissatisfaction of the employees derives from some other factors as well. This is especially so, as a similar dispute in 1978 failed to attract much attention of the staff. Again, it can be argued for a rather subtle influence of economic variables at the aggregate level, as this coincides with a general recovery in economy, although it was only in Lloyds which substantially improved its performance in this year. In addition to this, i) A re-introduction of Saturday opening was started in Barclays in mid-1982 using the volunteers, which was soon to be followed by other clearing banks and ii) A review of staffing and branch network was announced or actually started in the Midland, Barclays and the Co-op, which caused a threat of redundancy even in the clearing banks. This move derives from firms' adapting to the changing economic situation and the introduction of new technology.<sup>42</sup> In fact, most of these factors are mentioned by some staff as reasons of their dissatisfaction in the union literature and it seems to be the cumulative effects of plural factors which made the staff back the union action.<sup>43</sup>

There was also a dispute between Midland Bank and Bifu over shift patterns of staff who worked at the Heathrow branch which started in the end of January when the bank suspended several Bifu members for refusing to follow a new working custom. In three weeks, the union succeeded in obtaining the reinstatement of all members, new shift patterns and some compensation. Some increase in union membership was also observed in Williams &

Glyn's Bank, which announced a merger with the Royal Bank of Scotland. Uncertainties and the threat of redundancy caused the staff in the former bank to join Bifu and it achieved a density of over 80 per cent in the course of 1983.

In 1984, Bifu lost its membership approximately by 1.2 per cent, most of which took place in the major clearing banks and international banks, although growth of SA/SU was also minimal. Bifu's loss in the clearing banks was the third severest in its post-war history, following 1973 and 74, and 1964. The General Secretary referred to this as 'number of deletions from the membership records made at the beginning of the year.'<sup>44</sup> This year was far from uneventful. National Westminster, Lloyds and Midland, for instance, announced Saturday re-opening using voluntary staff in autumn and winter. From the fact that an increase in Bifu membership took place in the latter half of this year, it seems reasonable to assume a negative effect of an industrial action which took place within Bifu, which a journalist referred to as 'one of the longest and most embarrassing industrial disputes'.<sup>45</sup>

Bifu's senior officials provoked a strike in the beginning of March 1984 when the union management committee refused to negotiate over its plan to make a data control manager at Bifu's Wimbledon headquarters compulsorily redundant. The strike was soon made official by the Association of Professional, Executive, Clerical and Computer Staff (APEX), the union that represented the union officials, and joined by the area officials as well as some 60 clerical staff. It was



speculated that at the core was a belief of Bifu executives that its full-time officials were too powerful.

Although the dispute ended with an interim reinstalment of the official in the beginning of April, it directly affected this year's pay negotiation as well as the merger talks with the C.B.U.. The Federation informally suggested a 0.25 per cent increase in addition to the previously offered 5 per cent. Bifu's executive accepted this, as the dispute did not allow the proper function of Bifu as a trade union. This caused complications as C.B.U. had already started balloting its member on industrial action over the 5 per cent offer. An B.G.S.U. official reported briefly in its journal, Staff Matters, in April that,

"the betrayal of staff by the minority banking union BIFU has led to a flood of new members for B.G.S.U."<sup>46</sup>

To what extent can the membership loss of Bifu be attributable to this 'embarrassing strike'? A rough estimation by the model indicates that the residual for this year is approximately -2 per cent. As this includes the rivalry effect which derives from the dispute, this year's growth rate may have been well over 2 per cent higher if it had not been for the strike.

At least part of Bifu's loss in the clearing banks in the next year is nominal, as Williams & Glyn's Bank merged with the Royal Bank of Scotland in September, replacing some 5,400 members' classification within the union. At the same time, the



merger between Barclays Plc and Barclays International increased Bifu membership of the English Clearing Bank Section by some 3,700. Therefore these institutional changes account for some 1,600 membership loss in the Section without affecting the total Bifu membership. Correcting for this transfer, its growth rate is approximately -2 per cent, which is only marginally lower than the estimated value.

Major loss in this year comes from Lloyds and Barclays. This probably reflects a short-run as well as a long-term rivalry effect. In this year, the C.B.U.'s pay ballot showed a majority of 56 per cent for industrial action for the first time, rejecting a Federation's final offer of 5.5 per cent, and the support amongst B.G.S.U. membership was particularly outstanding. Bifu sought arbitration after C.B.U.'s decision to accept 6.5 per cent after the ballot without success. Structural factors are also present as Bifu continuously lost members in Lloyds between 1984 and 1986 and in Barclays almost every year after 1972. A strike of maintenance workers over proposed job cuts in the National Westminster Bank may also have had some membership effect.

Mid-1980s saw a beginning of a series of institutional changes in the industrial relations system in the industry, which generally corresponded with a deregulation policy favoured by the Conservative government. Midland Bank withdrew from the Federation of the London Clearing Bank Employers towards the end of 1985. This left only three banks at the table of national negotiations, as Williams & Glyn's also

defected when it merged with the Royal Bank of Scotland. The 'Big Bang', a financial deregulation in 1986 and the Building Societies Act effected in January 1987, significantly intensified the competition between the commercial banks, merchant banks and the building societies.

General dissatisfaction amongst the staff in the mid-1980s seems to reflect the banks' attempt to acquire competitiveness to adjust themselves into this change in the product market by cutting costs and extending the services they offered.<sup>47</sup> Although Bifu executives failed to mobilize its members into industrial action in 1986, they were backed by a majority voting for an overtime ban when the Federation imposed a 5 per cent award in the next year. Although a series of proposed one day strikes was rejected in the same ballot, the extent of dissatisfaction can also be seen from the fact that over 60 per cent of Barclays and Lloyds Staff Unions' members voted for an overtime ban, which became the first industrial actions in their history. B.G.S.U.'s industrial action was immediately followed by that of Bifu and L.B.G.S.U. in June and the same action by Bifu started at the end of September in the Midland Bank. It was in the midst of this industrial action when the National Westminster Bank announced its intention to withdraw from the Federation with immediate effect in July, which consequently halted all national negotiations in the industry. Bifu also took industrial action in the T.S.B. England and Wales over staffing levels.

The industrial actions were only partly successful. Out of the four banks involved, Lloyds and National Westminster offered an improved pay award, thus ending the dispute, whereas Barclays and Midland refused any compromise. B.G.S.U. stepped down from the dispute and Bifu executives' attempt to escalate the action gathered only poor support from its members.

The effects of this dispute upon union growth varies in banks. In Barclays, where both Bifu and SU lost, Bifu decreased its membership by nearly 4 per cent, or some 600, although B.G.S.U. steadily increased by over 4 per cent. In National Westminster, where the NatWest Staff Association did not take industrial action, Bifu's growth rate reached well over 8 per cent, whereas SA also increased its membership by approximately 4 per cent. In Lloyds, where employment increased by 3,900 in this year, Bifu gained only 400 members whereas L.B.G.S.U. grew by 10 per cent, attracting some 2,300 employees. In Midland, despite the failure of the action, Bifu increased its membership by about 5 per cent, which is about the same figure as the previous year.

Here, we can see several factors interacting simultaneously, consequently creating the pattern of growth. Rivalry effects seem to be present in Barclays and Lloyds, which brought about different results for similar industrial actions. However, the higher growth rate of SU in Lloyds may indicate an existence of a dissatisfaction or credit effect. A short-run effect is observable in National Westminster, although steady growth of its staff association may indicate the existence of a



structural factor, too. Steady growth of Bifu in Midland mainly derives from the nonexistence of a rivalry effect in the bank, as M.S.F. was gradually losing its control.

Bifu also renewed publicity activities towards the end of the 1980s, which included the modernisation of its journal, Bifu Report, and the provision of comprehensive financial services to its members including mortgages, travel and car insurance and personal loans. It probably requires some time to see to what extent such a move will fill the gap between the services offered by SA/SU and Bifu. Industrial action taken after the collapse of the system of national negotiations are inevitably institutional in nature and their effects upon overall union growth also seem to be limited. These include an overtime ban over extended opening hours in Lloyds in October 1988, Barclays' DP strike over pay in July 1989 and an overtime ban in Lloyds over pay in the same month.

#### Associations after the War

After the reorganisation of the staff associations in Barclays, Lloyds, Districts and Martins in order to comply with the requirements of the war-time Conditions of Employment and National Arbitration Order 1940, staff associations began transforming themselves into independent trade unions, although early negotiations were more opportunities for consultation, in



which employers may or may not show an intention of adopting the request put forwarded by the associations.

The associations not only had no intention or power to compel employers but no means to do so. As N.U.B.E. accused them later before the Cameron Enquiry, the associations had no constitutional power to call for withdrawal of labour, and it was only in the beginning of 1953 when Lloyds Bank Staff Association signed an institutional arbitration agreement with the bank, which was followed by all major clearing banks save Barclays.<sup>48</sup> However, it was not until 1961 when the association referred its differentials claim to an Arbitration Tribunal, which was followed by the same move of Westminster Bank Guild in 1963. Nevertheless, there is some evidence to argue that the staff associations and the Central Council of the Bank Staff Associations had some influence upon pay negotiations; one of the earliest examples goes back to the acquisition of a 6 per cent cash payment in 1942.

This structural feature of the staff associations supported tightly by the banks generally enabled them to maintain stable growth in the early years. It was only in Barclays where N.U.B.E. was recognized by the management, and the associations were in a superior position in terms of the facilities provided for, for instance, meetings and distribution of literature. Discriminatory attitudes of managements are believed to have affected the behaviour of a large number of staff, particularly those in the upper-tier of the labour market, who attempted to avoid risking career prospects. We can reasonably assume that

this may result in equilibrium growth as shown in the earlier section of this chapter.

Despite this, as has been seen in Chapter 4, long-term growth of many associations fell short of that of employment, consequently decreasing union density in the clearing banks. Female density was particularly on the decline, whereas N.U.B.E. maintained a relatively small number of employees with more commitment. Behind this was also increasing turnover rates amongst those employees in the secondary market.

Short-run losses in membership seem to have had to do with a wide-spread dissatisfaction amongst the staff, which was more effectively absorbed and mobilised by N.U.B.E. This may not have been the case in 1950 when N.U.B.E. organised a national petition over its pay claim, but certainly the case in 1955 when its 'Programme for Progress' attracted substantial support from the employees. The staff associations were not inactive and some took a similar approach, formulating their own proposals of salary structure. But the move came only towards the end of the year and was obviously superseded by that of N.U.B.E. in their comprehensiveness of the proposal and publicity. National Provincial Bank Staff Association was one of the severely hit and lost around 4 per cent in this year, which was followed by the Westminster Bank Guild. Midland Bank Staff Association increased one per cent, but a new staff association backed by the management had just been launched in 1953 and was on course for expansion of a formative era.

A sharp increase in SA membership in 1959 and 1960 seems to reflect the fastest expansion of the industry throughout the 1950s and the 1960s. Employment increased by around 6,000, half of which was absorbed by the associations. The second wave of SA growth in 1963 and 64 was hypothesized in an earlier section as a cause of the decrease in N.U.B.E. membership. The upsurge in SA membership started in Westminster Bank in 1963. This probably reflects dissatisfaction of the staff in the bank over pay as well as Westminster Bank Guild's success in obtaining an improvement through arbitration in this year. Then in 1964 came Barclays Bank Staff Association's campaign for the 'rate for the job', through which inferior employment conditions of female staff were claimed to have been significantly rectified.

In 1967 and 68, the staff associations generally lost members. There is no doubt that there was a rivalry effect of N.U.B.E.'s 'Action 67', but generally stable patterns of associations' growth seem to have been shown on this occasion, too. B.B.S.A.'s growth rate was 0 per cent, which probably reflects the inaccuracy of the data, and that of L.B.S.A. was -1.3 per cent whereas N.P.S.A. lost members almost by 10 per cent. The smallest District Bank Staff Association was the most vulnerable and its growth rate in the year was well under -20 per cent. This means that membership shift from staff associations to N.U.B.E. was basically confined within three banks and a substantial part of the vast increase in the union membership derives from the non-organised section.



Probably the most plausible hypothesis of these marked institutional differences in growth rates is the 'threat effect' caused by the proposed merger to form the National Westminster Bank. Since the house associations are also subject to re-organisation, many staff transferred from them to the national industrial union for the sake of job security. The result was a substantial increase in N.U.B.E. membership in the three banks. The merger was carried out in September 1969 but it was only after 1971 when the N.W.B.S.A. actually started increasing its membership.

Naturally the merger between Barclays and Martins had a different effect upon union growth. Barclays was the largest amongst the 'big four' even after the formation of the National Westminster, and the transfer of some 3,000 members of Martins Bank Staff Association into Barclays' Association was carried out smoothly in December 1969. A threat effect, if there was any, seems to have been confined to a small number of employees.

In the 1970s, the image of moderate and ineffective staff associations was becoming more and more anachronistic, despite the fact that many retained the sense of loyalty to the institutions often held by older employees and that it took another 20 years for the associations to mobilise the staff into a first moderate industrial action. The effectiveness and the moderateness had matched with the preference held by the majority of the employees, and it seems to have affected growth to a certain extent.



It was mainly the Barclay's association which significantly increased its membership in the first half of the 1970s, consequently pushing up the total SA membership from 57,600 in 1970 to 82,400 in 1975. This makes a contrast with two other staff associations in National Westminster and Lloyds Banks. National Westminster Bank Staff Association did increase its membership after 1971, but its growth rate was moderate, a few per cent, which gradually improved towards 1977. Lloyds Bank Staff Association's growth generally followed a similar path to that of National Westminster's association, indicating the existence of similar economic and organisational situations as well as actions taken by the associations.

Growth models largely fail to predict SA growth in this period, particularly between 1971 and 1974, through which the pre-JNC distribution of the membership pattern re-emerged in the industry. However, at least a certain part of it, especially that of B.B.S.A., derives from organisational changes. Much of a sharp increase in membership of B.B.S.A. in 1969, for instance, can be explained by an absorption of the 3,000 strong Martins Bank Staff association in December, which followed the merger of the two parent banks. This increase being controlled, B.B.S.A.'s growth rate in the year is negligible. Similarly, a full integration of Barclays Commonwealth Dominion and Overseas into Barclays Bank was carried out in 1972, which entailed some re-adjustment of the bank's organisational structure and a transfer of staff. B.B.S.A. started a recruitment in this N.U.B.E. stronghold, and

claimed that a 'large number of the staff of International' had joined the association.<sup>49</sup> In the models, such a transfer is generally captured by a shift in the employment variable.

However, B.B.S.A.'s growth, particularly that between 1972 and 1974, was much more than these institutional changes brought about. What was behind the B.B.S.A.'s exceptional performance? Identification of such factors is not an easy task. Union officials seem to attribute it to its effective function and attractive services in comparison with N.U.B.E. This is probably so, but it is also necessary to note the fact that B.B.S.A., B.G.S.A. or B.G.S.U. had never achieved, and have never achieved, such growth throughout its history, from which we can assume that there may have been some changes on the demand side, which N.U.B.E. perhaps failed to deal with effectively.

Probably one of the factors of the growth of the association was staff re-structuring, which started in the spring of 1971 and reached the level of appointed staff in domestic branches in the autumn of 1973. The transfer of Barclays Foreign Branch staff into Barclays Bank International was a part of the management's attempt at re-organisation. Many staff were actually re-deployed in May 1971. An association's executive who toured around the country at this time surprisingly found that,

"Bank staff are literally waiting to be asked to become members of the Association. The wave of members could well become a flood in a very short time."<sup>50</sup>

Economic factors may have had some role, as the profit of the bank soared in the short-lived Barber Boom, consequently pushing up the expectation of a desirable standard of remuneration, whereas it was only in 1972 that pay increased significantly in real terms. However, this function of business-cycle variables may have been very limited in nature, as the economic conditions of the staff of, say, the National Westminster Bank were similar to those in Barclays. External organisational factors, such as an employer's attitude, does not explain this case either, as Barclays' management had been one of the most liberal amongst the English clearing banks and the majority membership held by N.U.B.E. until 1972 originally derives from an early recognition of the union by its management in 1941.

Probably another explanation of this growth lies in N.U.B.E.'s difficulty in coping with purely institutional matters as effectively as the association. Criticising N.U.B.E. policies and its organizational structure, an editor of the B.B.S.A. journal, News Letters, wrote in 1972.

"N.U.B.E. has recently decided to reduce the staff that it provides to negotiate for its members in Barclays Bank from August 1972. One official is available for well over 20,000



N.U.B.E. members. That official also has responsibilities to negotiate in another Clearing Bank and at least one Bank outside the Clearing System. . . . N.U.B.E. proposed that the Staff Negotiating Committee should meet twice a month. At the present time the Association meets the Bank as often as necessary bearing in mind the number of outstanding subjects at any given moment. It is rare for there to be less than two meetings with the Bank each week and quite often meetings take place everyday."<sup>51</sup>

It is difficult to verify such differences in the function of two organisations at grass-roots level, but if this was the case, the behaviour of union growth fits into the classical cost-benefit criteria of economic man, as, quite apart from the problem of general preference about a desirable form of collective bargaining, staff choose one rather than another simply because it offers better services at lower cost. A desirable theory probably requires both, namely economic maximization and sociological preferences that derive from being located in hierarchical organisations.

Staff associations generally maintained high growth rates thereafter, much of which is attributable to National Westminster Bank Staff Association and Lloyds Bank Staff Association this time, although their expansion was slowed down by the recession towards the end of the 1970s. As explained earlier, at least some of these increases seem to be attributable to a swing-back from N.U.B.E. to the staff



associations, although this effect is not prominent in B.G.S.A., which had a massive increase in the beginning of the 1970s. This also reflects some institutional changes. Some of the noticeable SA growth in 1977, for instance, was due to the National Westminster's Technical and Services Union's vote to transfer its engagements to the association, which resulted in a net increase of nearly 2,000 in its membership.

Generally speaking, the associations and unions' performance was not particularly outstanding between 1978 and 82, even if they superseded that of Bifu. Here, the recession overshadowing the industry as well as its industrial relations system may be important. There was a gradual recovery in their membership towards the end of the decade, often with a short-run cyclical fluctuation in alternate years. The average annual growth rate of -1.2 per cent amongst the three associations and unions in 1982 improved approximately to 5.9 per cent in 1987.

The only exception to this general pattern can be found in 1980. This is due to a rapid increase in B.G.S.A. ( B.G.S.U. after August 1980 ) membership in this year. There is not enough evidence to assume a significant function for institutional changes, such as the launch of the Clearing Bank Union in the beginning of August. The same is true of the business-cycle variables, as employment growth was very limited. Probably a more plausible factor is rivalry effect, as Bifu severely decreased its membership in Barclays between 1979 and 1982, the severest loss occurring in 1979 and 1980. The cause of this outflow now looks more structural, and the growth

pattern of Bifu in the major English clearing banks suggests that the establishment of the English Clearing Bank Section within the union did not alter the basic situation. There seems to be an enough ground to assume that such a tendency can continue in so far as the structural factors will not be eliminated.

Models fail to predict a down turn of SA membership in 1981 and, especially, that in 1982. The loss in 1981 was caused by Lloyds Bank Group Staff Union and that in 1982 by NatWest Staff Association as well as B.G.S.U. whose membership almost stood still. A major cause of a decrease in L.B.G.S.U. seems to be a decrease in employment itself, which diminished by 2.5 per cent in this year, although this is not the case of N.W.S.A.

There is also some grounds to argue that the stagnation in the staff associations and unions' membership in the beginning of the 1980s also reflects the recession. Most of the clearing banks recorded minus growth in their profits between 1980 and 1984, and unemployment was a realistic threat even to the workers in banking, the labour aristocrats in the service industries, which probably reduced a general preference among them for unionate actions as well as for collective bargaining. The results of the early ballots conducted by the C.B.U. probably reflect this as well as the mental attitude of the majority of the employees to refrain from unionate actions adopted by manual unions.

In a sense, the fact that the C.B.U. started balloting its members on industrial action itself is a major departure from

the previous policies that the constituent associations used to take. This move may have derived from two factors. One is a long-run shift in the character of the associations and unions themselves, which probably reflects a historical shift in the general preference of the employees to a certain extent. In the terms of Blackburn et al, they were becoming more and more unionate. Another is an institutional change that the breakdown of the national and domestic machineries brought about. The associations and unions failed to obtain an employers' concession to include an unilateral arbitration clause in the post-machinery procedural agreements which were mostly signed in the beginning of the 1980s. Conciliation by ACAS was as far as the employers were prepared to go under the dual system of collective bargaining divided into Bifu and the associations and unions.<sup>52</sup>

When Bifu took industrial action to improve the 10 per cent final offer of the Federation in 1981 without success, the C.B.U. also conducted a pay ballot as its joint clerical and T & S negotiating teams also rejected the offer. Although members showed substantial concern about the pay issue and approximately 70 per cent of the 48,000 issued paper was returned to the newly organised union, the support for industrial action in the midst of the recession was low and it was only 26 per cent of those who voted who expressed approval of the action.<sup>53</sup>

Then in August 1982, Barclays Bank started piloting Saturday re-opening at its 34 branches, which was soon extended to other



branches. B.G.S.U.'s attitude survey conducted at that time showed that employees were generally concerned that the Bank would transform a voluntary attendance system into a compulsory one and, in fact, two out of three were against it regardless of the terms offered to volunteers.<sup>54</sup> Despite this, staff dissatisfaction did not materialise. B.G.S.U. conducted a ballot on taking limited industrial action in the summer when the bank refused to negotiate on provision for time off in lieu for Saturday opening, but the General Committee's recommendation was roundly rejected; only 45 per cent of the members expressed any views, amongst whom some 25 per cent supported the action.<sup>55</sup>

It was not until towards the end of 1983 when general dissatisfaction among employees was observed. This led to a recovery in the associations and unions' membership as well as that of Bifu. In this year, Bifu's acceptance of a 5 per cent offer came in the spring as it failed to mobilise its members for strike action, a two to one majority voting against it. C.B.U. executives' attempt to improve this through arbitration also failed, as the Federation refused on the grounds of Bifu's acceptance and the union's recommendation to suspend unpaid overtime was largely ignored by its members.<sup>56</sup>

Then towards the mid-1980s, many staff came to accept more unionate actions to force their demands, which eventually resulted in the first industrial action by two of the staff unions in 1987. Behind this, there seems to be the cumulative effects of a series of institutional changes by the banks to



make them more competitive, by extending the services they offer and by cutting operational costs; Saturday openings, abolition of early closing on Christmas Eve, a branch network review and the integration of international banks were planned. Saturday re-opening started in Barclays in 1982 and was extended to other English clearing banks in 1985. Barclays' branch network review was carried out spending 5 years in the mid-1980s, which accompanied a number of branch closures and downgradings. At about the same time, Lloyds Bank introduced Activity Value Analysis into Head Office Departments, which L.B.G.S.U. described as the 'biggest cost-cutting operation Lloyds Bank had ever introduced'. Then two mergers of international banks were carried out in January 1985 and January 1986; Barclays Bank and Barclays Bank International, and Lloyds Bank and Lloyds Bank International.

A pay ballot conducted by B.G.S.U. in the spring of 1984 showed that, amongst 60 per cent of members who actually voted, 86 per cent of the clerical staff considered a 5 per cent offer by the Federation unfair, and 54 per cent were ready to take industrial action. Less enthusiastic support for industrial action in the same ballot taken by NatWest Staff Association, in which 61 per cent voted and 32 per cent voted for an industrial action, may reflect a relative lack of common concerns of staff in the bank.<sup>57</sup> Then, in the 1985 pay ballot in April, 56 per cent among those voted ( 57 per cent of total ) expressed their support for an overtime ban rather than accepting an employers' final offer of 5.5 per cent. Staff were

particularly militant in Barclays and its staff union claimed that a 'huge majority' was in favour of industrial action.<sup>58</sup> Bifu also rejected the offer, which consequently resulted in an improvement to 6.5 per cent.

In the course of a membership campaign in the summer of 1984, an B.G.S.U. organiser mentioned a possible function of the saturation effect in its journal.

"As B.G.S.U. membership continues to climb, recruitment can become more difficult because of the 'hard-core' non-member element."

In fact, dual membership and pensioner members being disregarded, total union density was nearly 80 per cent in 1985. However, despite the historical shift in membership composition between Bifu and B.G.S.U., density itself had not changed markedly. Total nominal union density in the bank was 75.4 per cent in 1970 and 72.4 per cent in 1980, which may be a standard at which the 'saturation effect' can be expected. Density has been continuously high sometimes showing decreases. Certainly an historically unique pattern of development of trade unionism in the industry influenced such patterns. At the same time, changing composition of the labour force, such as the increasing number of female as well as part-time employees, also affected this.

1987 saw a first industrial action conducted by two of the staff unions, namely B.G.S.U. and L.B.G.S.U., which followed

the imposition of 5 per cent by the Federation at the ACAS conciliation meeting in April. Although members' reaction to the B.G.S.U.'s industrial action ballot in May was negative, only 40 per cent returning the ballot paper, 60 per cent voted for an overtime ban and non-cooperation with the introduction of new debit cards. The support was particularly strong in the North and the London area.<sup>59</sup> Ballot of L.B.G.S.U. also exceeded its requirement of 60 per cent for such an action, but only 53 per cent of the members of NatWest Staff Association voted for industrial action, whereas the association still maintained a tighter constitution, in which a vote of at least 75 per cent of those voting is required to authorise an action.

The dissolution of the Federation in July 1987, which ceased national negotiations in the industry, inevitably brought about the problem concerning the functions of the C.B.U. Following the L.B.G.S.U.'s decision to withdraw, the C.B.U. finally voted to dissolve itself in November with effect from 30th April 1988. This, of course, did not affect membership patterns much, and the association and unions maintained growth rates of 3 to 8 per cent in this year.

#### 4. Summary

The result of the empirical research generally reaffirms the results of quantitative analysis. Unlike the previous aggregate



study where the business-cycle variables appeared as the crucial determinants of short-run growth, union growth, particularly at the industry level, is rather generated by organisation variables, which may or may not relate to the utilitarian construction of the original theory.

As also suggested and shown in the models in Chapter 4, this mainly derives from qualitative differences and structural changes of the causal processes; the part that the business-cycle variables played in the aggregate study is replaced by organisational factors, which have probably become intermittently but increasingly significant determinants. The estimated order of significance of such determinants in growth models shown in Chapter 4 were strategy variable, lagged employment and density, and the effect of an organisational shift. This pattern is roughly applicable to both the Bifu and SA models in this chapter, indicating that despite the presence of fierce inter-union competition, the logic of growth of the two organizations is somewhat similar.

In the Bifu model, the effect of the strategy variable is overwhelming, which is followed by the density, rivalry and lagged employment factors. Thus, it can be argued that the increasingly powerful function of the union enabled it to control its own strategic behaviour as a new, dominant determinant of its own growth. In the SA model, on the other hand, the rivalry variable that the state regulation of labour relations in 1940 brought about appears as the most significant short-run determinant, followed by the effect of a historically



specific swing in union-association membership composition, lagged employment, a strategic factor and density.

The theoretical implications of these results requires consideration. The examination of the most effective industrial action in 1967 suggests that union growth was largely achieved prior to the industrial action, as a reaction of staff to coercive policies taken by management and the government, from which a 'prototype pattern' of short-run union growth could be derived. Without the existence of an effective process of collective bargaining, certain conditions of employment imposed by the management can cause wide-spread dissatisfaction amongst staff. In the absence of effective staff associations, this dissatisfaction could be largely absorbed and mobilized by N.U.B.E. This process is the same as that observed in pre-war B.O.G. growth.

Such dissatisfaction can often be found in relation to pay, other conditions of employment and employment stability. These factors not only often co-exist, but their effects are intensified by organizational mobilization, and probably provided the background for union growth in such years as 1951 and 52, 55, 67, 76, 83 and 87. Thus, the business-cycle variables can be expected to capture a partial effect of the changes in economic conditions.

The term 'dissatisfaction' or 'threat' was used to signify the causal process between the pay factor and union growth, which can be understood in terms of at least two dimensions; severity and duration. The relation is not necessarily

straightforward. An assumption that employees would not be responsive to a minor change in remuneration could not be statistically proved.<sup>60</sup> Reliability of the remuneration series at the industry level and a simultaneous function of plural factors make assessment difficult. It was also seen that certain structural factors such as changing structure of the composition of the labour force can also bring about a deviation from the equilibrium growth path.

The most plausible hypothesis about the immediate function of retail price inflation is, as a profit series, its influence upon the aggregate expectation of the rate of change in remuneration and a tendency of price inflation to bring down the standard of living. This may be especially so where no effective system of collective bargaining is established.

Such an inference leads to a hypothetical, nevertheless reasonably plausible, answer about the effect of this variable in the aggregate study. The variable may be significant as it correlates with most of the quantifiable and qualitative variables. It is needless to say about the remuneration and employment variables, which some models of aggregate union growth do not incorporate. The same case seems to be applicable to such episodic factors as industrial action, employment stability and organisational changes whose irregular effects would be eliminated in the process of aggregation. Nevertheless, as has just been seen, the effect, or the nature of the effect, is never static but constantly changing as the

economic conditions of the employees, institutional arrangements and people's attitudes change.

1. Committee of London and Scottish Bankers, Statistical Unit. 1988. Abstract of Banking Statistics.
2. At the time of writing ( May 1990 ), 1989 figures of SA are not available.
3. Midland Venture. January and February 1951.
4. The Bank Officer. September 1961.
5. Ibid. April 1957.
6. Ibid. June 1957.
7. Report of the Inquiry by the Honorable Lord Cameron into the Complaint made by the N.U.B.E. on 12th March 1962 to the Committee on Freedom of Association of the Internal Labour Organization, H.M.S.O., November 1963.  
  
Also, The Bankers Magazine. Vol.195, 1963 and Vol.197, 1964.
8. The Bank Officer. August 1970.
9. Morris, T. 1986. Innovations in Banking; Business Strategies and Employee Relations. London; Croom Helm.
10. The Banker. Vol.123 1973, 1093.
11. The estimated figures derive from the Times, February 22, 1977 and Bifu Report, February 1980.
12. The Banker. Vol.125 1975, 9-10.
13. N.U.B.E. News. March 1976.
14. Bifu Report, January 1983.

15. Morris, T. op.cit.

16.

17. Thus, an example of the form of a general model is,

1

3

$$\text{BIFUt} = \underset{i=0}{d \text{ Pt-i}} + \text{REMt} + \underset{i=0}{d \text{ Et-i}} + \text{SA}t + d \text{ UDt-i} + \text{STR} + \text{vt}$$

18. The results of model 3 is shown here.

Table 6N.1 Model 3

Equations	1	2	3	4
Method	OLS Normalised			
D.V.	BIFU.A		SA.A	
Period	1949-88			
Pt	.6770 (2.5782)	.5475 (2.3292)	.4371 (1.5787)	.2225 (1.5331)
Rt	-.6726 (-2.5302)	-.4908 (-2.0739)	-.2168 (-.6998)	
Et	.2342 (1.4971)		.3127 (1.8896)	.2974 (1.9976)



Et-1	.2608		.2383	.2028
	(1.6883)		(1.5502)	(1.3847)

Et-2	-.1718		-.3411	-.3591
	(-1.1061)		(-2.3261)	(-2.5153)

Et-3			.1903	.2185
			(1.2677)	(1.5351)

SA/BIFU	-.3598		-.3177	-.2557
	(-2.2060)		(-1.9629)	(-1.7432)

PMU		.5089		
		(3.6143)		

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R2	.2893	.3455	.3476	.3274
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-

R2	.1848	.3102	.2049	.2284
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F	2.7681	9.7673	2.4356	3.3093
---	--------	--------	--------	--------

SER	.9033	.8309	.8923	.8790
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DW	2.1767	2.0491	1.3434	1.2455
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LM F	.4020	.0639	3.3844	4.4856
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19. The results of model 3 are shown here.

Table 6N.2. Model 3

Equation	1	2	3
Method	OLS Normalised		
D.V.	BIFU.A		SA.A
Period	1949-88		
Pt	.7948 (3.6180)	.6730 (3.4647)	.2270 (1.5801)
REMt	-.8092 (-3.6492)	-.6003 (-3.0783)	
Et	.1854 (1.4345)		.2427 (1.5848)
Et-1	.2683 (2.1113)		.1793 (1.2276)
Et-2			-.3220 (-2.2346)
Et-3			.2297

		(1.6281)	
SA/BIFU	-.2670		-.2367
	(-2.0951)		(-1.6220)
PMU		.4786	
		(4.1512)	
STRU/SA	.5059	.4849	.1959
	(4.1546)	(4.4018)	(1.3091)
<hr/>			
R2	.5118	.5745	.3606
-			
R2	.4400	.5391	.2443
F	7.1285	16.2040	3.1012
SER	.7486	.6792	.8699
DW	2.2202	2.1322	1.3873
LM F	.6027	.2985	2.4945
<hr/>			

20. Booth, A. 1983. op.cit. A basic unrestricted version of the Booth model takes the form,

n                    n                    n                    n

$$Z_t = \sum_{i=1}^D a_i Z_{t-i} + \sum_{i=0}^D i I_{pt-i} + \sum_{i=0}^D g_i I_{wt-i} + \sum_{i=0}^D e_i U_{t-i} + v_t$$

where  $Z_t = [ \ln \frac{D}{D-1} ]$

IP : Price Inflation  
 Iw : Wage Inflation  
 U : Unemployment

A logistic transformation of density term is used to restrict the variable to lie in the interval [ 0, 1 ] for a purpose of prediction and to capture a 'saturation effect'.  
 21. The results are as follows.

Table 6N.3    Model 2

Equations	1	2	3	4
Method	Exact AR1	Newton-Raphson Iterative Method/N		
D.V.	BIFU	BIFU.M	SA	SA.M
Period	1952-88	1954-88		
Pt	-.1683 (-1.4730)		.1427 (.6989)	
Pt-1		-.2572 (-2.0640)		.1598 (.8399)



REMt	.2956	.3807	.0357	-.0807
	(2.5195)	(3.0114)	(.2601)	(-.6614)
Et	.0458		.1080	
	(.5227)		(.7817)	
Et-1	.1159		.0559	
	(1.3649)		(.3952)	
Et-2	-.0062	-.2977	-.1632	-.3087
	(-.0693)	(-3.0973)	(-3.0973)	(-2.5628)
Et-3	.2778	.3528	.4068	.2888
	(2.9808)	(3.4838)	(2.7344)	(2.1555)
UD/SADt	.3821	.3993	.3166	.3661
	(4.4325)	(4.1195)	(1.4227)	(1.8967)
SA/BIFU	.3270	-.4688	-.4476	-.5333
	(-3.4222)	(-4.5054)	(-3.4862)	(-4.8025)
STRU/SA	.6379	.5372	.2222	.2069
	(7.1393)	(5.3930)	(1.9947)	(2.0482)
<hr/>				
R2	.8338	.7742	.6169	.6586

R2	.7784	.7047	.4695	.5536
F	15.0467	11.1404	4.1859	6.2699
SER	.4914	.5437	.7278	.6690
DW	1.8460	2.0166	1.9511	1.9272

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22. Sheflin, N. et al. 1981. op.cit.

23. F-values of the Chow test are as follows. The computed F value of exceeds the critical F value at 5 per cent level in the Equation 7.3.4.1, indicating that the hypothesis that the two regressions are the same is rejected.

$$\text{Equation 6.2.5.1 } F ( 9, 19 ) = 3.7626$$

$$2 \quad ( 7, 23 ) = 1.9248$$

$$3 \quad ( 7, 23 ) = 1.3615$$

$$\text{Equation 6.2.6.1 } F ( 9, 19 ) = 1.2649$$

$$2 \quad ( 7, 23 ) = .8029*$$

$$3 \quad ( 7, 23 ) = 1.5008*$$

\* One of the dummy variables ( ORG ) is excluded for a calculation of F values of the Chow test because of the problem of multicollinearity.

24. Cairncross, A. 'The Postwar Years, 1945-77'. Floud, R. and D. McClosky ed., The Economic History of Britain Since 1700. vol.2, 370.

25. Blackburn, R.M. op.cit. 166.
26. The Bank Officer. March 1955.
27. Lloyds Bank, Chief Accountant and Staff Department materials.
28. The Bank Officer. January 1961.
29. The Times. November 14, 1960.
30. The Bank Officer. November 1961.
31. The first attempt to control the level of wages in terms of incomes policy was made by a Labour government in 1948, which was followed and developed by a Conservative government in 1962.
32. The Bank Officer. 1967.
33. Lloyds Bank, Winton file.
34. N.U.B.E. claimed that only a strong national union can effectively represent the interest of the staff in the new situation that concentration in the industry brings about.
35. N.U.B.E. News. No data available thereafter.
36. Ibid.
37. It was also claimed that a faster rate of strike off of members who left banking was introduced at this time. Previously, those staff were maintained on membership records for nine months.
38. Major mergers in this time include T.S.B. Trust Co., Guardian Royal Exchange, Phoenix Staff Union and Eagle Star Staff Association.
39. Bifu Report, June 1981.
40. 21,902 voted for the industrial action, whereas the union and the SA/SU had around 160,000 members in the major English clearing banks.
41. Bifu Report. January 1984. L.B.G.S.U. Advance. September 1983.
42. The Co-operative Bank and Bifu signed Job Security and Mobility of Labour Agreement in November 1983, which aimed to avoid compulsory redundancy and mobility caused by re-organisation.

43. Bifu Report. October 1983.

44. Ibid. March 1985.

45. The Times. April 3, 1984.

46. B.G.S.U., Staff Matters. April 1984.

47. A circular of Barclays' management at this time reads,

"Times have never been more competitive and this cannot be the moment to risk our future, it forms the case for continued overtime and a smooth launch on Wednesday of the bank's Connect direct debit card. . . . Consider carefully the possible consequences of industrial action. ( Financial Times. June 1, 1987 )"

48. A tripartite arbitration agreement was signed in May 1969 between Barclays Bank, N.U.B.E. and B.B.S.A. This derives from the merger of Martins Bank whose staff association had a similar agreement with the parent bank.

49. B.B.S.A., Essay News. August 1972.

50. B.B.S.A., News Letters. June 1971.

51. B.B.S.A., Essay News. August 1972.

52. L.B.G.S.U. sought for a so-called 'flip-flop' arbitration arrangement after the bank terminated the agreement in February 1982 to encourage the parties to submit realistic offers and demands.

53. C.B.U., Interest. 1981.

54. B.G.S.U., Staff Matters. July 1982.

55. N.W.S.A., Counterpoint. September 1982.

56. B.G.S.U., Staff Matters. May 1983. L.B.G.S.U., Advance. July 1983.

57. B.G.S.U., Staff Matters. April 1984. N.W.S.A., Counterpoint. May 1984.

58. C.B.U., Interest. June 1985. B.G.S.U., Staff Matters. May 1985.

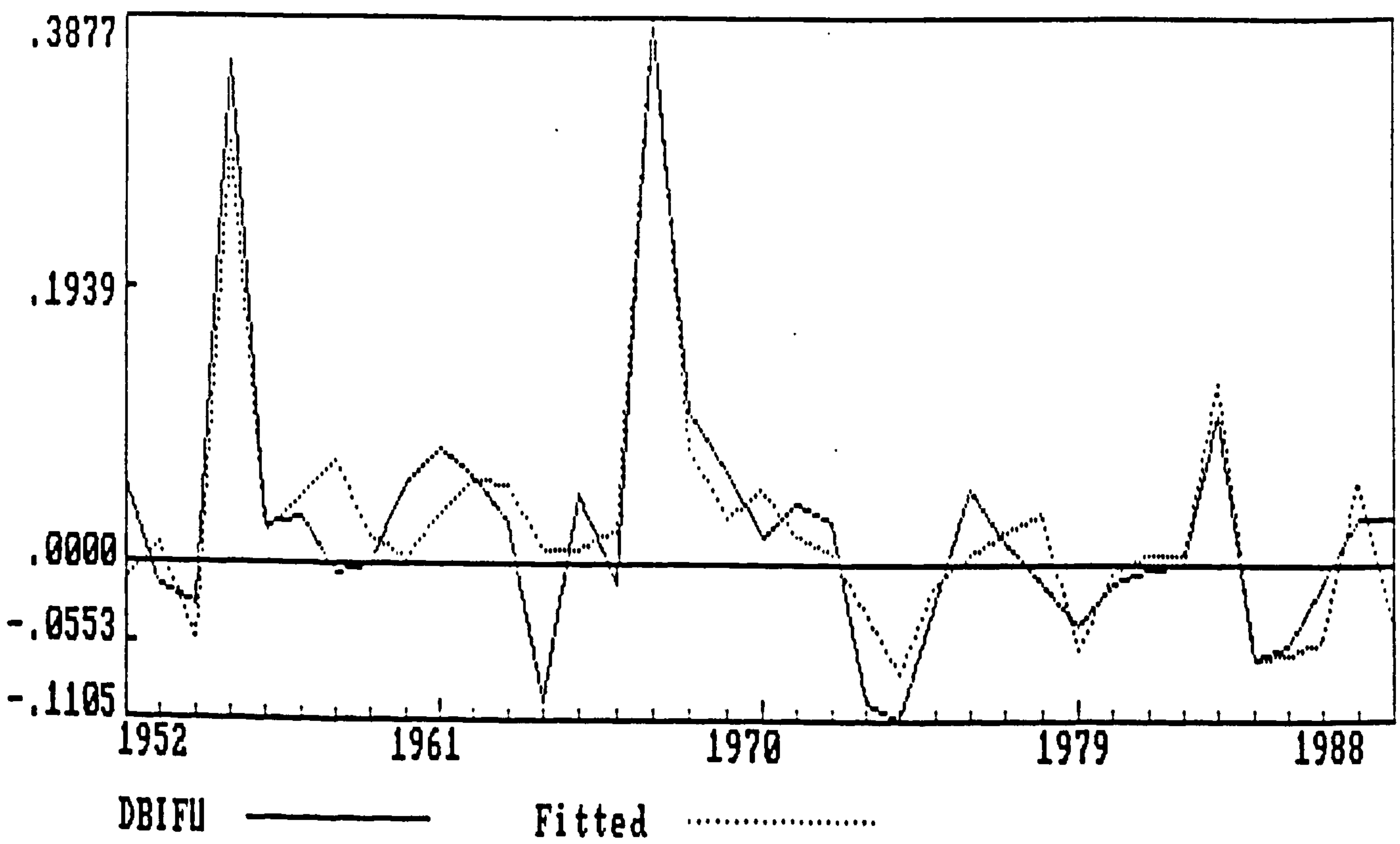
59. Staff Matters. May 1987.



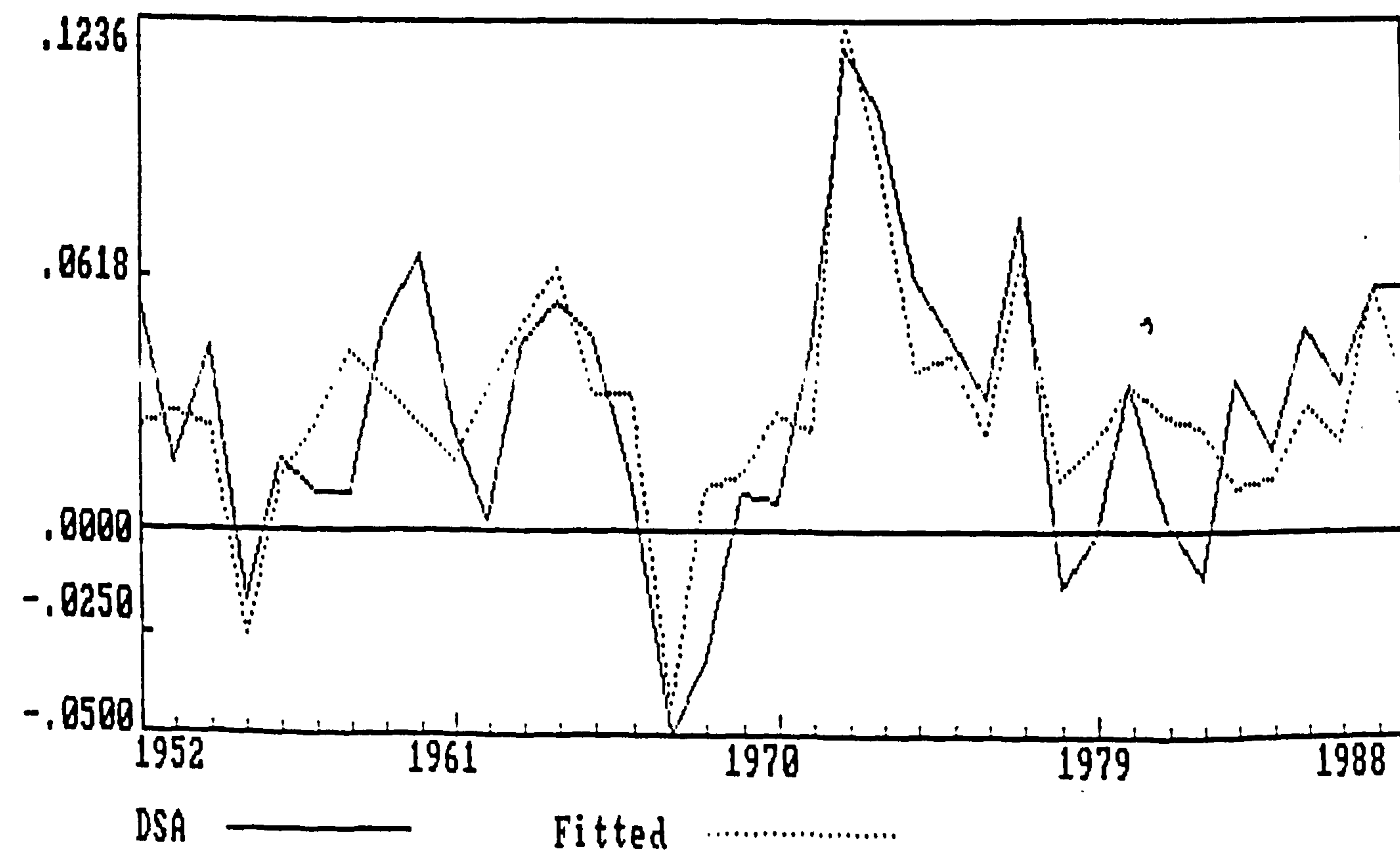
60. The hypothesis is that the relationship takes a quadratic form rather than a linear form.

Graph 6.2.2. Bifu and SA Growth

Plot of Actual and Fitted Values



Plot of Actual and Fitted Values



## 7. Supplementary Analyses

Unlike historical societies where individual actions are immediately knitted into a generalised, stable structure, many elements in contemporary societies are subject to constant transformation, underlying which is the movement of the economy. So are the organisations. The aim of this chapter is to re-consider the changing function of the business-cycle factors and the processes of union growth.

Most of the arguments have already been stated in the previous chapters. Statistically, it has been confirmed that at the levels of both the financial sector and the industry, economic variables mostly appeared insignificant, which makes a contrast with previous aggregate studies. But at the firm level, price inflation variable detected a positive effect upon union growth and the remuneration variable a negative effect. Empirically, it has been observed that a freeze in remuneration, mediated by the effect of price inflation, often caused dissatisfaction amongst employees which has been exploited by union actions, thus causing short-run expansion in organisations.

Obviously, the process might be situationally and historically specific. The first section of this chapter deals with aspects of structural shifts. This is done upon an assumption that 1968, the year when the national machinery was

established and N.U.B.E. was given national recognition by the major clearing banks, was a turning point in the system of short-run union growth. Following this, the effects of business-cycle variables upon union growth are re-examined. The last section focuses upon social behaviour in two labour market segments within the industry.

### 1. The Industrial Relations System and Structural Shift

We now turn to the last problem raised in the previous section; to what extent are the causalities that have produced union growth stable historically? And if they have changed, how? As has already been mentioned, the historical stability of regression coefficients often causes technical problems in a time-series study, as overall patterns of causalities estimated by the models often change over a sample period. In fact, this is one of the points upon which growth models including that of Bain and Elsheikh have been criticized, as such a shift may significantly undermine the predictive ability of a model. It has also been mentioned that the concerns of historical sociology naturally differ from those of econometricians, as it is the specification of the historical processes themselves that primarily matters. As mentioned earlier, looking back into the historical events in the industry, one episodic event



appears as a source of such systematic changes; the establishment of the Joint Negotiating Council in 1968.

### Modelling Procedures

The models in this chapter are estimated at the industry and institutional levels and most of the series are the same as those used in Chapter 4. The period after the war was split into two and separate equations were estimated. This would probably make the sample period too short for plausible estimation, but would be sufficient for the aim to assess an approximate general tendency observed in the industry. There is a possibility that recognition may have changed the growth patterns of Bifu in particular. The models that account for two genres of organizations had already been estimated in the previous chapter.

Modelling procedures are also the same as before. Non-normalised models were estimated first and then, transformed into normalised equations based upon their respective sample periods. A minor change is made on the remuneration variable of Model 2 over the latter sub-period. Institutional remuneration series are available after 1968 in the 'Annual Report and Accounts' of all the major clearing banks and this was replaced with the original series, which relies upon the New Earnings Survey, to improve the consistency. This is shown as NRt. The

correlation coefficient between this series and the previous one is a little under .60 in the rate of change form over the sample period.

#### Industrial Relations System and Structural Shift

The results are shown in Tables 7.1.1. and 7.1.2.<sup>1</sup> Much shortened sample periods pose a problem upon the reliability of the estimated equations and a hasty interpretation of the results should be avoided. The results cannot be compared directly, either.

The models explain around 60 to 70 per cent of the variance in the dependent variables both at the industry and institution levels. Some of the lagged employment variables, which may not be shown here, were also significant. General patterns of structural shifts might be found in the weakening function of the business-cycle variables. Particularly, price inflation appears as a significant determinant at the industry level, whereas most of the business-cycle variables are insignificant during the second sub-period. In the institution-level model, too, the remuneration variable is no longer statistically significant in the latter period. Similarly, the relative effect of the strategy variable is more prominent in the first sub-period.

Table 7.1.1. Model 2

Equations	1	2	3	4
Method	OLS			
Dependent Variable	T			
Period	1949-67		1968-88	
Constant	-.1140 (-1.2937)	-.1183 (-1.4678)	-.0948 (-1.6312)	-.1198 (-1.8743)
Pt	.4316 (1.8775)	.4495 (2.3608)		-.0810 (-1.0530)
Rt	.0183 (.1523)			
RNt				
Et	.5046 (2.4822)	.5125 (2.7029)	.1916 (1.3139)	
Et-1			.3011 (2.3846)	.2421 (1.6376)
Et-2			.2437	.2840

			(1.8886)	(1.9699)
Et-3			.5770	.6674
			(4.2877)	(4.3968)
Dt	.0012	.0013	.0009	.0014
	(1.2677)	(1.4320)	(1.3251)	(1.7189)
STR	.0460	.0462	.0439	.0452
	(5.2859)	(5.5511)	(3.6481)	(3.1014)
ORG			.0308	
			(2.1851)	
<hr/>				
R2	.7580	.7576	.8027	.7240
—				
R2	.6649	.6883	.6964	.6056
F	8.1432	10.9363	7.5541	6.1192
SER	.0181	.0175	.0149	.0176
D.W.	2.5187	2.5209	1.8943	2.0475
LM.F.	1.0861	1.0960	.0000	.1395

---

t statistics in parentheses.



Table 7.1.2. Model 3

Equations	1	2
Method	OLS	
D.V.	TU.A	
Period	1949-67	1968-88
Constant	-.0029 (-.2672)	-.0290 (-1.4580)
Pt	.6491 (3.6164)	.4698 (2.0615)
Rt	-.2932 (-2.1732)	-.3162 (-1.5936)
Et	.3011 (1.7660)	.3449 (1.7137)
Et-1		.6409 (3.1353)
Et-2		

Et-3		.5088
		(2.1042)
STR	.0353	.0488
	(4.6904)	(2.0066)
ORG		.0621
		(2.0058)
<hr/>		
R2	.7685	.7297
—		
R2	.7023	.5842
F	11.6175	5.0138
SER	.0156	.0291
D.W.	2.4657	2.2253
LM.F.	1.7446	.3365
<hr/>		

t statistics in parentheses.

Table 7.1.3. Model 2

Equations	1	2	3
Method	OLS Normalised		
Dependent Variable	T		
Period	1952-67	1968-1988	
Pt	.2595 (1.9614)	-.2909 (-1.1745)	
Rt	.0245 (.1538)	.3086 (1.1656)	
Et	.3622 (2.5654)		
Et-1		.2666 (1.4397)	.2319 (1.5658)
Et-2			
Et-3		.8383 (3.7775)	.5559 (3.1863)
Dt	.1611	.4769	.2175

	(1.2993)	(2.1647)	(1.0712)
STR	.7503	.3472	.2975
	(5.4747)	(2.3922)	(2.3952)
ORG			.3586
			(2.6253)
<hr/>			
R2	.7573	.6195	.7089
—			
R2	.6880	.4564	.6119
F	10.9217	3.7983	7.3059
SER	.5255	.7955	.6722
DW	2.5230	1.7097	1.7899
LM.F	1.1876	.2226	.0081
<hr/>			

t statistics in parentheses.



Table 7.1.4. Model 3

Equations	1	2	3
Method	OLS Normalised		
Dependent Variables	TU.A		
Period	1949-67	1968-88	
Pt	.5152 (3.7433)	.5795 (2.0660)	.5929 (2.0103)
Rt	-.3434 (-2.2495)	-.4223 (-1.5803)	-.4422 (-1.5404)
Et	.2569 (1.8280)	.2638 (1.7375)	.2598 (1.6449)
Et-1		.4711 (3.1834)	.4756 (3.0849)
Et-2			.0466 (.2589)
Et-3		.3541 (2.1986)	.3633 (2.1312)
STR	.6196	.3277	.3519

	(4.8550)	(2.0591)	(1.8591)
ORG		.0814	.0802
		(1.9240)	(1.8229)
<hr/>			
R2	.7685	.7201	.7215
—			
R2	.7222	.6001	.5716
F	16.5964	6.0022	4.8115
SER	.5279	.6321	.6543
DW	2.4657	2.1266	2.1496
LM F	1.8786	.1783	.2032
<hr/>			

t statistics in parentheses.

To what extent can these historical patterns be explained in relation to the changing system of industrial relations? The empirical survey as well as the business-cycle theory seems to be able to provide some hypotheses on this point. As for the decreasing effects of the economic variables, firstly, the establishment of the machinery may have directly changed the behaviour of salary inflation vis-a-vis price inflation, as it came to regulate the possible discrepancy between the two factors through more effective collective bargaining, thus decreasing the probability of the emergence of the dissatisfaction or threat effect.

This process is also numerically observable. Correlation coefficients between price inflation and salary ( total remuneration ) inflation was .4238 between 1949 and 1967 in the institutional series, whereas this figure increased to .7919 between 1968 and 1988. A similar tendency can be observed at the industry-level, whose correlation coefficients became .8169 between 1969 and 1988, although there might have been some other factors, such as incomes policy, which brought about this relationship.

Secondly, as has been argued in the last section, stagflation may have also contributed to alter the pattern through which the economic variables function. The 'threat' effect of both price inflation and remuneration factors may still be possible, but the effect of expectancy that the economists have long advocated may be less prominent,

consequently shifting the mechanism of union growth away from the economic to organisational variables. In fact, the much more prominent effect of strategy variable in the first sub-period in all the models may also be argued in relation to this. Historically observed prominent dissatisfaction amongst employees sometimes had in its background a lack of effective bargaining processes through which employees demands can be reflected upon labour management. The emergence of the machinery evidently institutionalised this process, thus averting the intense outburst of dissatisfaction.

#### Union Growth and the Business-cycle

A fairly commonly observed feature of the function of the business-cycle factors in the industry was characterised by 'dissatisfaction' or 'threat'. Price inflation may have a positive effect, as such a situation often occurs on a background of inflationary economy. It has also been observed that supply side conditions have often had an influence in these cases and, in the same way, organizational actions lacking a context often failed, partly because the trade unions generally lacked the institutional dominance that some in the manual sectors enjoyed.

It is probably of some interest to investigate the influences of market factors in detail. We might hypothesize



that the effect of the business-cycle variables can be regarded as a function of four factors; severity, duration, relative severity of economic degradation and accompanying events and situation. Then, as Ashenfelter and Pencavel did, the first two may be captured by price inflation and salary inflation in nominal or real terms and the second by the unemployment rate.<sup>2</sup> Table 7.1.5. shows the values of these factors in selected years when such an effect was observed.<sup>3</sup> The years in the table are the peak years of fluctuation, which often appears

Table 7.1.5. Economic Factors and Union Growth

peak years		1951				1955		1967		1972	
M.3	U.Growth	0.68	0.91	7.64	1.97	4.05	5.37	0.74	9.64	-6.55	6.06
	P	2.82	3.20	9.31	9.13	1.80	4.42	3.87	2.41	9.40	7.20
	R	-1.25	6.88	2.25	13.92	2.62	3.31	3.44	1.15	13.73	10.86
	RR	-4.07	3.68	-7.06	4.79	0.82	-1.12	-0.43	-1.26	4.33	3.64
	U (UK)	1.6	1.5	1.2	2.1	1.5	1.2	1.6	2.5	3.4	3.7
M.2	U.Growth	1.58	1.32	4.90	5.55	10.08	1.94	.16	10.67	4.33	7.23
	R+	2.84	1.10	6.83	9.21	-6.97	21.74	9.51	-0.90	12.13	11.24
	RR+	0.00	-2.10	-2.48	0.00	-8.77	17.31	5.63	-3.36	2.73	4.02
Events++		c.minimum salary scale				c.scale		a.recognition Barber boom			

pay

hours

stability

incomes policy

peak years	1975			1983		1987	
M.3 U.Growth	10.01	6.05	7.89	0.69	6.07	7.71	7.43
P	24.24	16.48	15.91	8.60	4.63	4.03	4.91
R	26.31	17.54	15.91	8.30	8.43	12.28	5.18
RR	2.07	1.06	-8.68	-0.29	3.80	8.25	0.26
U	3.9	5.3	5.7	9.9	10.4	10.3	8.3
M.2 U.Growth	1.81	3.81	5.34	-.85	5.92	5.04	
R	29.14	16.20	9.72	9.63	7.68	15.45	9.92
RR	4.89	-.28	-6.20	1.03	3.05	11.42	5.00
Events	c.redundancy			a.holiday		a.pay	
	incomes policy			weekend			
				network rev.			

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P; price inflation, R; remuneration, RR;real remuneration in the rate of change.

\* Estimated figures between 1946 and 1968. \*\* c. denotes campaigns and a. denotes industrial actions.

with a cycle of a few years. These seven cycles cover most of the prominent short-run movements.

As has just been shown in the statistical analyses, particularly at the institution level before the machinery, peak years in union growth are often characterised by severe economic conditions, although it is by no means the sole determinant of actual growth. By comparing the two series, a certain deficiency of the industry-level series can also be noticed, particularly in such years as 1955 and 1966.<sup>4</sup>

In the same way, the relationship is less conspicuous after the establishment of the national machinery. The problem here is the process. The increase in 1975, for example, seems to be generated by an increase in employment in the previous year which reached 9.93 per cent. The case in 1983 was the compound effects of at least a few factors; disputes over the Christmas holiday, re-introduction of Saturday opening and a review of staffing and the branch network. Hence, although the economic variables have little immediate effects, this case fit fairly well into the orthodox framework. The industrial action in 1987, which started against 5 per cent imposition by the banks, ended with partial success including that in Lloyds. Thus, this provides another example when the dynamics of industrial relations changed the causal process itself.

## 2. Labour Markets and Social Action

It has long been argued by many sociologists that systematic differences in socio-economic situations often generate observable, different patterns of consciousness and thus, social action amongst certain categories of individuals and that such 'stratification' factors as the manual/ non-manual division, structure of labour market and gender are of particular importance. Economists, on the other hand, have traditionally considered that people behave in the way that would maximize their individual utility. Nevertheless, the application of the labour market segmentation theory in this context yields an assumption that the discrete situations of the people might produce certain tendencies in behaviour as the obtainable benefits accordingly vary. This section attempts to identify differences in short-run behavioural patterns in a long-term sociological framework of the dual labour market theory.

### Modelling Procedure

The estimation is done by splitting the Bifu series as well as the employment data into male and female series and by running two separate models on the assumption that the gender difference represents labour market segregation. The intention



is to identify the effects of the business-cycle and organisational factors upon the aggregate behaviour of the employees in different segments.

There are a few versions of such models that can be run with the data that have already been used. These include an institutional Bifu model between 1949 and 1968, a model of staff associations and unions growth between 1949 and 1989, and a model of union growth between 1949 and 1989. After some preliminary research, the first option, which is by far the most modest, was chosen. This is solely due to the availability of data, particularly the consistency of the membership, remuneration and employment series. The lack of male/ female breakdown of the Bifu series after 1969 at the institutional level at the time of modelling naturally excludes some options.

Thus, some explanatory variables, namely the employment and the rivalry variables, splitted into the two categories and density terms were re-specified accordingly. Other variables are the same as those in Model 3. Two problems remain. One is whether male/ female breakdown can be used as a reasonable approximation of employees in different labour market segments. Another is whether the changes in remuneration have followed a similar path in the two categories.

The adequacy of adopting the male/ female distinction as an approximation of labour market segments has already been discussed in Chapter 2. The point is that, at least during the sample period under consideration, most of the female employees belonged to the secondary sector, but male series may also

include a substantial number of employees who are allocated in the same sector, although their proportion may be much less than it is now. The remuneration series represents the actual amount of salary and other pecuniary rewards paid to the employees, consequently ignoring the possible discrepancy between the rate of change of remuneration paid to the employees in the primary and secondary sectors. This problem may be by-passed by excluding this series from the estimation altogether, as Ashenfelter and Pencavel did.

#### Labour Markets and Social Behaviour

The results are shown in Tables 7.2.1. All the equations are normalised according to the sample period. Models explain 80 to 90 percent of union growth in different labour market segments. Relative significance of the economic variables suggest that male employees may be more responsive to the changes in the conditions of employment than those who belong to the secondary segment, although the deficiency of the series does not allow a hasty interpretation. However, it is nevertheless possible to argue that this may reflect a stronger labour market commitment usually held by the former. Although the relative significance

Table 7.2.1 Segmentation Model

Equations	1	2	3	4
Method	OLS Normalised			
D.V.	Bifu Male		Bifu Female	
Period	1949-68			
Pt	.4580 (4.5443)	.4252 (4.2576)	.1043 (1.0308)	.1089 (1.1599)
Rt	-.0792 (-.8484)	-.1016 (-1.0821)	-.2447 (-1.7320)	-.2607 (-2.7106)
LM/LFt	.5336 (3.3388)	.3617 (3.9031)	.0185 (.1600)	
LM/LFt-1	-.2252 (-1.3054)		.2860 (2.5957)	.2930 (3.0023)
SAM/SAF	-.5020 (-4.1995)	-.4067 (-4.1986)	-.2017 (-2.0547)	-.1986 (-2.1343)
STR	.5821 (6.4378)	.6169 (6.9788)	.8498 (9.2771)	.8511 (9.6476)
R2	.9103	.8994	.9080	.9085

-				
R2	.8783	.8726	.8760	.8841
F	28.4237	33.5297	27.8497	37.2238
SER	.3487	.3568	.3522	.3405
D.W.	1.9113	1.8615	1.6906	1.6799
LM.F	.0124	.0298	.1559	.1850

---

t statistics in parentheses.

of the push-up or pull-down effects seems to be more or less similar in the two categories, the rivalry effect is prominently observed amongst male employees and industrial actions seems to have attracted more from the secondary sector. The limited nature of the sample does not allow a generalisation, but this seems to be fairly consistent with the logical inference.

Despite the fact that none of the density term with or without lag structure was statistically significant, union density was higher amongst male than female employees during this period and union growth was significantly circumscribed by



the potential membership itself, particularly in the former category. This may mean that the behaviour of staff association membership can directly affect N.U.B.E. growth, although the possibility of simultaneous equations bias cannot be excluded.

Strategic actions particularly affected those in the secondary sector. There seems to be at least two explanations for this. One is a larger potential membership in the latter category and another is the short-run effect of the long-term structural factor. Given an historically relatively stable propensity to unionise, it might be possible to argue that those who belong to the secondary market were under-represented. Furthermore, the union actions, the first of which had as its target the rapidly increasing female labour force, may have succeeded in mobilising the potentially available section of the employees.

1. Some examples of Bifu models at the institutional level are shown here.

Table 7N.1    Model 3

Equations	1	2	3
Mwthod	OLS Normalised		
D.V.	BIFU.A		

Period	1949-67	1968-88	
Pt	.3259 (4.3424)	.5303 (1.8658)	.5993 (2.4904)
REMt	-.3130 (-2.9926)	-.2479 (-.8861)	-.3097 (-1.2723)
Et	.2237 (2.0097)	.2339 (1.3487)	.2572 (1.5845)
Et-1	.1208 (.9460)	.2911 (1.7983)	.3269 (2.3228)
UDt	.1602 (2.2551)	.6168 (3.5146)	.5855 (3.6776)
SAt	-.2438 (-2.3884)	.0976 (.4940)	
STRU	.6850 (8.4258)	.3054 (1.8761)	.3275 (2.1501)
ORG		.1058 (2.4786)	.1098 (2.6918)
<hr/>			
R2	.9537	.7509	.7462

R2	.9306	.6167	.6374
F	41.2327	5.5975	6.8602
SER	.2635	.6194	.6025
D.W.	2.2216	2.0040	1.9709
LM.F	1.9157	1.0095	.5251

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t statistics in parentheses.

2. Ashenfelter, O and J.H.Pencavel. 1969. op.cit.

3. T, P and R figures are the same as those used in the models. The unemployment figures derive from London and Cambridge Economic Service, The British Economy Key Statistics, 1900-1970. and Economic Trends.

4. In 1966, for instance, the government imposed a statutory control on incomes.

## 8. Conclusion

Research in the social sciences requires reciprocal processes between theory and empirical investigations. In this respect, there have been three basic contentions in this work. Firstly, to treat the theories of union growth as the theories of social or rational action. Secondly, to separate and examine the short-run processes from the trend process. Thirdly, to identify the definitive causation in the sphere of the empirical research. Perhaps some have been attained but others obviously remain to be developed further.

Analyses of short-run union growth and empirical surveys were done in Chapters 4 to 7. The results may be compared with the aggregate analysis of Bain and Elsheikh reviewed in Chapter 2 together with other models, in which a priori effects of the business-cycle variables are hypothesized and price inflation, wage inflation, density and unemployment appeared in the empirical models as significant determinants of union growth. The actual historical processes seem to be far richer and dynamic than their reasoning allows for and, in some respects, the adequacy of their theory may be contested.

There are three points that should be mentioned here; causation and the effects of the business-cycle variables, causation and the effects of the internal and external organisation variables, and changes in the estimated causality.



Firstly, it has been observed that downturn in the conditions of employment, notably that of remuneration, has often emerged as a commonly experienced threat and consequent dissatisfaction amongst the employees has often lead to union growth. In the same way, betterment of conditions that is not the result of this process seems to have had an opposite effect. Price inflation has most possibly been associated with lagging remuneration, in which case the effect is the same as that of the remuneration, or with their expectation of a change in remuneration. Short-run fluctuation in unions and associations' membership in such years as 1951, 1955, 1967, 1971 and 1987, and in the mid-1970s when the incomes policy was still operational, seems to have this causation at the core.

Thus, these results and empirical research suggest that, in an ideal situation, the degree of the effect may be captured by three factors; severity, duration and relative severity of the downturn in economic conditions. In reality, such formulation of the functional form may not necessarily improve the fit of the models because of at least three reasons. Firstly, the conditions of employment obviously include business-cycle factors, but nevertheless are not confined to them. Historically, a threat to employment stability that has accompanied mergers of enterprises or re-organisation of the industry was often associated with the most prominent union growth and, in fact, the very start of trade unionism in the industry derives from the amalgamation movement. There is also more recent evidence to suggest that other factors such as

hours, a holiday arrangement and reorganization of a branch network may initiate, or at least amplify, the process, making it observable at the two levels of aggregation covered in this work.

Secondly, these situations or events have often co-existed and union growth appeared as a function of them. An obvious implication of this is that the business-cycle variables would represent a core, nevertheless partial, explanation. Of course, it is possible to argue that most of the conditions of union growth mentioned here do not function at random but, through different causal processes, essentially relating to the business-cycle. But the original theory does not pay heed to such processes. Thirdly, even allowing for the effects of variables other than business-cycle ones, growth models would not simulate many sharp fluctuation in union membership at this level of aggregation; the effect of organisational resource mobilization has to be assessed. This was particularly notable in 1967 when a demand by the union to establish the machinery lead to a vigorous campaign. In this respect, the business-cycle variables also detect accompanying effects that do not necessarily relate to individual actions taken under certain economic conditions.

The effects of the business-cycle variables are somewhat unstable at these levels of aggregation, which leads to the third point of the structural shift. Although a deficiency in the remuneration data does not allow us to draw a solid conclusion, models at the industry level generally failed to

detect significant function of the business-cycle factors. The only exceptions are those run between a limited period before the establishment of the national machinery, in which price inflation had a positive effect. In the models at the institutional level, which were estimated with consistent data, two variables were statistically significant over the whole sample period. However, the period being split into two, the remuneration variable was no longer significant in the latter sub-period.

Different causal processes detected between the banking industry and probably wider financial industries on the one hand and the institutional level on the other are something that could not be explored fully. There are certain conditions that a possible explication has to satisfy; similar behaviour of correlation between price inflation and union growth, and salary inflation and union growth over the sub-periods in both models, and prediction failure at the industry level around 1960. A tentative explanation is that a series of institutional changes took place in the industry brought about episodic patterns of union growth upon which the models were estimated. There is enough ground to argue that early patterns may have been generated by business-cycle factors, which estimated models failed to predict.

What seems to be certain is that both price inflation and salary inflation variables have historically lost their explanatory power. In a sense, this result is obvious, as there have been changes in economic policy, economy and the



industrial relations system. A notable example is an incomes policy which was operational for well over a decade in the 1960s and 1970s. An effective function of the unions and the industrial relations system in the industry also emerged as a new regulator of a pay standard. The events in 1987 symbolises the function of this process; a restrictive increase in remuneration caused a dissatisfaction or threat effect, but the consequent industrial actions at least partly succeeded in improving the final offer within the year. One economic consequence of these changes is that salary inflation highly correlates with price inflation in the latter sub-period.

Organisational factors that the conventional business-cycle models have not incorporated are highly significant at the level of aggregation in this work, which also indicates that the overall effects of these factors may be detected in the aggregate models by the business-cycle variables. By far the most significant internal organisational factor is the effects of successful campaigns and industrial actions. The example of strike action in 1967 is outstanding, but more recent, less successful industrial actions seem to have had a positive effect upon union growth. However, interpretation of the causation of this factor requires caution. It has often been the case that the process largely simulates that which relates to salary inflation; in 1967, for instance, the presence of the incomes policy meant that a severe, prolonged, economy-wide freeze in remuneration was to be commonly experienced, which was followed by a further decline in conditions in the



industry. The consequence is that a substantial proportion of members were in the union prior to the industrial action. An aspect of resource mobilization cannot be denied; nevertheless, as Bain suggested, union officers often act as catalysts in the recruitment processes.

Changes in employment are an obvious example of an external variable, but the effect is not always straight forward and is often accompanied by a certain time lag. It has also been shown in Chapter 5 that some long-term factors like feminization can have a short-run effect, and intimidation actually curbed union growth before the second world war. Establishment of the national machinery also caused an industry-wide shift in membership from one union to others, whose process was analysed in Chapter 6.

Economists like Gary Becker have claimed that the theory based upon the maximization framework provides a systematic, formal account of Zweckrational, or end rational, action and that changes in aggregate behaviour do not have to be explained by ad hoc changes in preferences and attitudes any more. Despite the alleged difficulty in framing a micro-underpinning in the time-series analyses, many economists have at least nominally adapted the cost-benefit criterion to account for the short-run fluctuation in membership. Nevertheless, its applicability to, and its meaning in, the studies of social behaviour remains controversial.

There are at least a few reasons to consider that the theory approximates aggregate behaviour in the short-run context.

Firstly, most of the business-cycle related variables and, in fact, most of the variables in the models could be regarded more or less to influence the utility of union services. This is particularly so in the case of the variables that account for strategic action and the organisational shift. Ashenfelter and Pencavel also argued that changes in employment could entail a change in the conditions on the supply side. Secondly, it is reasonable to assume that aggregate foundations of a Wertrational, or value rational, action would not fluctuate in short intervals. Thirdly, empirical surveys suggest that, in so far as trade unionism is concerned, actual actions are largely taken upon a pragmatic rather than a normative ground.

Nevertheless, it is worth noting that it would leave certain qualitatively important elements in the social action outside analysis. As has been mentioned in Chapters 2 and 4, ideology, particularly one's political socialisation, can significantly affect a probability of union membership and this process can occupy a significant part in the analysis of cross-sectional union growth or individual membership.

The same can be said about the analysis of long-term trend growth, which was dealt with in Chapter 4. Although lack of some essential information does not allow a full exploration, a basic causal process seems to have been generated by growth in employment, that in the secondary market, and a change in the industrial relations system, which brought about a shift in the social custom. Automation and degradation of work are generally accompanied by expansion of the secondary sector, the

consequence of which has been a decrease in overall density. There are at least two factors involved. Firstly, secondary sector employment has largely been held by young female employees whose temporary attachment to the a labour market systematically reduces utility of union services for them. Secondly, particularly owing to automatic membership of some staff associations before the second world war, union density had already been at saturation point.

The current situation is characterised by equilibrium, or a slight decline, in density. This means a balance between influx and efflux. Such a situation may cast a blight on the numerical expansion of white-collar unionism not only because overall density would automatically decrease in the long-term but the banking industry seems to provide a developed example in the private service sector. Thus, causal processes described here may be currently atypical in the experiences of white-collar unionism as a whole. Nevertheless, for that reason, it is also useful to consider some problems modern social theory has. At least certain versions of the stratification approach, which do not formulate a logic of individual action in a societal context, seem to require modification and it is only by doing so that sociological, or social scientific, analyses of contemporary societies can be developed around this important concept of stratification.

## Appendix 1. A Note on the Quantitative Analysis

Use of basic quantitative analysis as in this work can now often be found in sociology or industrial relations and may not require any explication. Nevertheless, this research was happened to be carried out in a history department and a brief summary of its property may be of some use. In this appendix, properties of the regression analysis are briefly described according to the following order; Regression Analysis, Assumptions and Properties, Summary Statistics, Statistical Testing and References.

### Regression Analysis

We assume that the fluctuation of one variable Y can be explained theoretically by another variable X. Supposing a linear relationship between Y ( the dependent variable ) and X ( the explanatory or independent variable ) we can write the causal relationship as an equation,

$$Y_t = a + bX_t \quad 1.1$$

where  $Y_t$  is the estimate of the  $t$  th observation on the variable Y,  $X_t$  is the  $t$  th observation on the variable X.



The unknown parameters a ( intercept ) and b ( slope ) are estimated so that the sum of squares of vertical distances from the points to the line is minimum ( fig.1.1 ). This least-square criterion can be restated formally as,

$$\text{Minimize } \sum_{t=1}^N ( Y_t - \hat{Y}_t )^2 \qquad 1.2$$

where N is the number of observations.

The least-square criterion is achieved by solving the normal equations,

$$\begin{aligned} dY_t &= Na + bdX_t & 1.3 \\ dX_t Y_t &= adX_t + bdX_t^2 \end{aligned}$$

Alternatively,

$$\begin{aligned} b &= \frac{NdX_t Y_t - dX_t dY_t}{NdX_t^2 - (dX_t)^2} & 1.4 \\ a &= \frac{dY_t}{N} - b \frac{dX_t}{N} = \bar{Y} - b\bar{X} \end{aligned}$$

where  $\bar{X}$  and  $\bar{Y}$  are the sample means of X and Y respectively.

A multiple regression model that contains two or more explanatory variables can be regarded as an arithmetic extension of this two-variable model.

## Assumptions and Properties

a. Assumptions and Properties; Formally, we write a two-variable linear regression model with a random error or disturbance term  $n$  as,

$$Y_t = \alpha_0 + \alpha_1 X_t + n_t \quad 2.1$$

The error term  $n$  is included to allow for the non-exact relationship between the two variables,  $X$  and  $Y$ . This error may arise from such factors as omitted variables, namely existence of the factors which are not or cannot be incorporated in the model, or measurement and collection error of the data. This model can be extended to the multiple regression model, assuming that the dependent variable  $Y$  is a linear function of a series of explanatory variables  $X_1, X_2, \dots, X_k$ .

$$Y_t = \alpha_0 + \alpha_1 X_{1t} + \alpha_2 X_{2t} + \dots + \alpha_k X_{kt} + n_t \quad 2.2$$

In this model, the coefficient  $\alpha_2$ , for example, measures the change in  $Y$  caused by a unit change in the variable  $X_2$  on the assumption that all other values for the remaining explanatory variables are held constant. The regression model makes a number of assumptions.

i. The model specification is given by the above equations.

ii. The  $X$ s are nonstochastic or fixed variables. In the multiple regression model, no exact linear relationship exists between two or more explanatory variables.

iii a. ( zero mean/ constant variance ) The error term has zero expected value and constant variance for all observations;  $E(u_t) = 0$ ,  $E(u_t - \bar{u})^2 = E(u_t^2) = \sigma_u^2$

iii b. ( independence ) The random error term  $u$  corresponding to different observations are not correlated each other.

iii c. ( normality ) The error term is normally distributed.

Given the assumptions i, ii, iii a, and iii b, the estimators  $\hat{\beta}$  and  $\hat{\alpha}$  are the best linear unbiased estimators ( BLUE ) in the sense that they have the minimum variance ( efficiency ) and they are not biased (  $E(\hat{\alpha}) = \alpha$  ).

i. First of all, note that the specified causal relationship is from  $X$  to  $Y$ , rather than the other way round.

ii. The second assumption on the nonstochastic explanatory variable  $X$  is rather unrealistic, as it implies that the researcher can select the values of  $X$  and then observe the corresponding values of  $Y$ . However, this assumption can be relaxed under certain conditions. The perfect correlation between two or more explanatory variables in the multiple regression model is called collinearity and the high correlation is termed multicollinearity. In the former case, the computer cannot carry out the calculation. In the latter

case, the model can be used with all its variables, but as the regression coefficients are supposed to measure the change in  $Y$  due to a change in the variable in question, other things being equal, we cannot place the reliance on the values of the estimated coefficients. One of the ways to establish the existence of multicollinearity is to drop one or more variables from the equation and see if the standard errors of the remaining variables become lower.

iii a. The assumption that the error term has zero expected value simply indicates that the mean value of  $Y$  equals  $(\bar{Y} + aX)$ . However, even if the error term does not have a mean of zero, the regression model will be equivalent to the one that complies this assumption but an intercept and the error term. As the intercept term is not of central concern, this assumption is not usually considered seriously. The case that the error term has not a constant variance is called heteroscedasticity. Heteroscedasticity, or unequal variances of the error term, does not usually occur in time series studies, as changes in the dependent variable and changes in one or more of the independent variables often increase at a similar rate. When heteroscedasticity is present, ordinary least-squares estimation places more weight on the observations with large error variances and, although parameter estimates are unbiased and consistent, they are not efficient; they do not have the minimum variances.



iii b. When the errors corresponding to different observations are correlated, we call it serial correlation or autocorrelation. Generally, autocorrelation does not affect the unbiasedness or consistency of the estimators, but it does affect their efficiency and the standard error of the regression SER will be biased downward. ( see the DW test )

iii c. In the classical normal linear regression model, we add the assumption that the error term is normally distributed. This is to specify the probability distribution of the error term in order to perform statistical tests of the model.

b. Beta Coefficients; Beta coefficients are used to compare the relative importance of the explanatory variables in a model. To do this, a regression model is run with normalized variables by subtracting their means and dividing by their standard deviations. This procedure standardizes the units and variances of variables.

#### Summary Statistics

a. the coefficient of determination  $R^2$ ; The coefficient of determination  $R^2$  is often used as a measure of goodness-of-fit of regression models.  $0 \leq R^2 \leq 1$ , and if  $R^2 = 1$ , all data points fit the regression line, and if  $R^2 = 0$ , there is no relationship

indicated statistically between the dependent and explanatory variables. To measure the goodness-of-fit of a regression model ( we consider the two-variable model for a simplicity ), we take the sample mean of Y,  $\bar{Y}$ , as the predicted value of  $Y_t$  regardless of the value of  $X_t$  and calculate how much the value estimated by the model,  $\hat{Y}_t$ , is closer to the actual value,  $Y_t$ , than this value,  $\bar{Y}$ . The model with k variables is written as

$$Y_t = a_0 + a_1X_{1t} + a_2X_{2t} + \dots + a_kX_{kt} + n_t \quad 3.1$$

Now we break down the difference between  $Y_t$  and the mean value  $\bar{Y}$  as follows,

—

(  $Y_t - \bar{Y}$  ) = total deviation of  $Y_t$  from the sample mean  
 (  $Y_t - \bar{Y}$  ) = 'explained' deviation of  $Y_t$  from  $\bar{Y}$   
 (  $Y_t - \hat{Y}_t$  ) = 'unexplained' deviation of  $Y_t$  from  $\bar{Y}$

$$( Y_t - \bar{Y} ) = ( Y_t - \hat{Y}_t ) + ( \hat{Y}_t - \bar{Y} ) \quad 3.2$$

Squaring both sides and summing over all observations,

$$d( Y_t - \bar{Y} )^2 = d( Y_t - \hat{Y}_t )^2 + d( \hat{Y}_t - \bar{Y} )^2 \quad 3.3$$

TSS	=	ESS	+	RSS
Total Sum of		Error		Regression Sum of
Squares		( Residual )		Squares
		Sum of Squares		

We define,

$$R^2 = \frac{RSS}{TSS} = \frac{d( Y_t - \bar{Y} )^2}{d( Y_t - \bar{Y} )^2}$$

$$= 1 - \frac{ESS}{dnt^2} = 1 - \frac{dnt^2}{dnt^2} \quad 3.4$$

$$\text{TSS} \quad \quad \quad \sum (Y_t - \bar{Y})^2$$

Hence  $R^2$  measures the proportion of the variation in  $Y$  which is explained by the regression model. If  $R^2 = .65$ , we say that the model can explain 65 percent of the variation in the dependent variable.

b. Corrected  $R^2$ ,  $R^2_{adj}$ ; This formula of  $R^2$  is also applicable to the multiple regression model, but its value is sensitive to the number of explanatory variables included in the model, whether or not those additional variables are relevant. For a solution, we define,

$$R^2_{adj} = 1 - \frac{\text{ESS} / (n - p)}{\text{TSS} / (n - 1)} \quad 3.5$$

where  $n$  is the sample size and  $p$  is the number of regression coefficients. Note that the  $R^2$  statistic is often used informally to compare the performance of different models, but such a comparison does not have a formal theoretical basis as the properties of this test, such as type 1 and type 2 errors, are not known.

c. Standard Error of the Regression, SER; The square root of the residual variance is called the standard error of the regression and given by

$$\text{SER} = \frac{\sqrt{\text{ESS} / (n - k)}}{\sqrt{\sum (Y_t - \hat{Y}_t)^2 / (n - k)}} \quad 3.6$$

where  $n$  is the number of observations and  $k$  is the number of regression coefficients. It is clear from the definition that the smaller value of the SER indicates the better fit of the regression model.

## Statistical Testing

It is a standard procedure in quantitative analysis to examine the constructed model carefully using the test statistics.

a.  $t$  test, testing the regression coefficient; The  $t$  distribution is usually used for the statistical testing of the regression coefficients, as a sample estimate of the error variance is used rather than its population variance. Taking the two-variable model as an example, we start from overlooking some properties of the regression coefficients.

$$E(\hat{a}) = a \quad 4.1$$

$\hat{a}$  is an unbiased estimator of  $a$ .

$$\text{Var}(\hat{a}) = \frac{\hat{e}^2}{\sum dX_t^2} \quad 4.2$$

The variance of  $\hat{a}$  depends on the error variance, the variance of  $X_s$ , and the number of observations.

$$\hat{a} \sim N\left(a, \frac{\hat{e}^2}{\sum dX_t^2}\right) \quad 4.3$$



Given the normality of  $n$ , the  $Y_s$  are normally distributed and the estimator  $a$  is also normally distributed. Even if the  $Y_s$  are not normally distributed, the distribution of  $a$  can be regarded as normal for large samples ( say,  $n > 30$  ) according to the central-limit theorem. As the true population variance  $e^2$  is not known, we use the sample estimate  $s^2$ .

$$s^2 = e^2 = \frac{\sum dnt^2}{N - 2} = \frac{\sum d( Y_t - \hat{Y}_t )^2}{N - 2} \qquad 4.4$$

Note that ESS is divided by  $N-2$  degrees of freedom. This is because the estimation of two parameters  $\hat{\phantom{a}}$  and  $a$  puts two constraints on the data and only  $N-2$  data are used to estimate the residual variance. Hence the sample estimate of the variance of  $a$  becomes,

$$s_a^2 = \frac{s^2}{\sum dX_t^2} \qquad 4.5$$

Now we construct a confidence interval so that,

$$P ( x < a < y ) = .95 \qquad 4.6$$

namely the probability that the interval includes  $a$  is 95 percent. Standardizing the estimated coefficient  $a$ ,

$$Z = \frac{a - a_0}{s_a} = \frac{a - a_0}{s / \sqrt{\sum dX_t^2}} \qquad 4.7$$

where  $a_0$  is a hypothesized true value of  $a$ ,  $s_a$  is the standard error of  $a$ , and the standardized variable  $Z$  will follow the  $t$

distribution with N-2 degrees of freedom. Now we select an appropriate critical value,  $t_c$ , which assumes that 2. percent of the t distribution lies in each of its tails. The value of  $t_c$  depends on the degree of freedom, but will equal 1.96 when the sample number is large.

$$P \left( -t_c < \frac{\bar{a} - a_0}{s / \sqrt{dXt2}} < t_c \right) = .95 \quad 4.8$$

$$P \left( \bar{a} - t_c \frac{s}{\sqrt{dXt2}} < a_0 < \bar{a} + t_c \frac{s}{\sqrt{dXt2}} \right) \quad 4.9$$

We obtain a 95 percent confidence interval for  $a$ ,

$$\bar{a} \pm t_c \frac{s}{\sqrt{dXt2}} \quad 4.10$$

We test the hypothesis,

$$\begin{aligned} H_0 : a &= 0 \\ H_1 : a &\neq 0 \end{aligned}$$

From the null hypothesis  $H_0$ , the test statistic becomes,

$$\frac{\bar{a} - a_0}{s / \sqrt{dXt2}} = t \quad (\text{the } t \text{ value of } a) \quad 4.11$$

$$\text{If } \frac{\bar{a} - a_0}{s / \sqrt{dXt2}} > t_c \text{ or } < -t_c \quad 4.12$$

we reject  $H_0 : a = 0$ . Alternatively, we can construct the 95 percent confidence interval for  $a$ , and if  $a = 0$  lies outside the interval, we reject the null hypothesis. Note that this hypothesis testing deals only with the probability of the type

1 error, namely rejecting  $H_0 : a = 0$  when it is true, which is, in this case, less than 5 percent.

t test can also be applied to test the regression coefficients of the multiple regression model. The estimated regression parameters standardized by subtracting the mean and dividing by the estimated standard error follow the t distribution with  $N-k$  degrees of freedom.

$$\frac{a_j - \bar{a}_j}{s_{a_j}} \sim t_{N-k} \qquad j = 1, 2, \dots, k \qquad 4.12$$

b. F test, testing the regression equation; The F statistic is used to test the significance of the  $R^2$  statistic, or, more accurately, to test the joint hypothesis,

$$H_0 : a_2 = a_3 = \dots = a_k = 0 \qquad 4.13$$

$$F_{k-1, N-k} = \frac{R^2 / (k-1)}{(1-R^2) / (N-k)} \qquad 4.14$$

where subscripts are the number of degree of freedom in the numerator and denominator. The F statistic follow the F distribution and if,

$$F_{k-1, N-k} > F_c \qquad 4.15$$

we reject the null hypothesis;  $H_0 : F = 0$ .  $F_c$  denotes critical value of F.

c. DW test, testing the autocorrelation; The Durbin-Watson test is used to test the presence of the autocorrelation.

$$DW = \frac{\sum_{t=2}^T \hat{e}_t - \hat{e}_{t-1})^2}{\sum_{t=1}^T \hat{e}_t^2} \quad 4.16$$

When the successive values of  $\hat{e}_t$  are close each other, the DW statistic will be low, indicating the presence of positive autocorrelation.  $0 < DW < 4$  and a value near 2 indicates no first-order serial correlation, in which errors in one time period are correlated directly with errors in the ensuing time period. Positive serial correlation is shown by DW values below 2, and negative serial correlation by values above 2.

d. Durbin h test ; Note that the DW statistic cannot be used when the explanatory variables include a lagged dependent variable, as in the Carruth-Disney model. Durbin h test is an alternative usually taken. When the error term  $\hat{e}_t$  is

$$\hat{e}_t = \hat{e}_{t-1} + u_t \quad 4.17$$

the null hypothesis,  $\rho = 0$ , is tested. Test statistic is,

$$h = \left( 1 - \frac{d}{2} \right) \frac{\sqrt{N}}{\sqrt{1 - Ns^2}} \quad 4.18$$

where  $d$  denotes the DW statistic and  $s^2$  is the estimated variance of the regression coefficient with the lagged variable.  $h$  follows standard normal distribution and a test for



positive serial correlation at the five percent significant level takes  $h > 1.645$  as the critical region.

e. Lagrange Multiplier test ( F-version ); This is another version of a test of residual serial correlation, and is applicable to models with and without lagged dependent variables. The LM statistic is defined as,

$$LM F = \frac{N - k}{k - 1} \frac{R^2}{1 - R^2} \quad 4.19$$

The critical region is based on an F distribution with (  $k - 1$ ,  $N - k$  ) degrees of freedom.

## Appendix 2. Statistical Data

Some of the membership data are required to be treated as confidential and are not shown in this appendix.

### 1. Bifu membership ( 31st Dec.)

YEAR	MALE	FEMALE	TOTAL
1919			15000
20			27000
21			29592
22	27368	2769	30137
23	25825	2263	28088
24	23160	1806	24966
25	22749	1639	24388
26	21886	1433	23319
27	20094	1233	21327
28	18790	1092	19882
29	18333	1060	19393
1930	19105	1321	20426
31	19653	1615	21268
32	19623	1850	21473
33	18881	1927	20808
34	18722	2098	20820
35	18403	2223	20626
36	17432	2154	19586
37	16773	2137	18910
38	16000	2086	18086
39	15552	2094	17646
1940	17368	3698	21066
41	20155	5696	25851
42	21444	7872	29316
43	21175	7655	28830
44	20645	7264	27909
45	20625	6532	27157
46	20352	5300	25352
47	20329	5497	25826
48	22072	6511	28583
49	22248	6810	29058
1950	22504	7118	29622
51	25874	8600	34474
52	27223	9656	36879
53	26789	9877	36666
54	25842	9680	35522
55	33288	13989	47277
56	33978	14669	48647

57	34678	15469	50147
58	34264	15791	50055
59	34382	15949	50333
1960	35600	17187	52787
61	36936	19522	56458
62	37921	21213	59134
63	38582	22876	61458
64	36261	19963	56224

SOURCE: Blackburn, R.M. 1967. Appendix B.

NOTE: The first two years are estimates, and from 1945 Scottish membership is included.

## 2. Bifu Membership ( Con't )

	MALE	FEALE	TOTAL	
65	37035	21409	58444	
66	36101	21761	57862	
67	42794	32719	75513	
68	45138	37233	82371	
69	45932	41111	87043	
1970	47044	42100	89144	
71	47603	45000	92603	
72	48314	55000	103314	
73	45000	55102	100102	
74	55838	44390	100228	
75	55206	46216	101422	
76	59292	51717	111009	
77	61336	55403	116739	
78	65627/66200	59622/60143	125249/126343	
79	67169/67726	63522/64048	130691/131774	
1980	71399/71930	68601/69112	140000/141042	
81	75110/75708	71509/72287	146619/147995	
82	75970/76520	74675/75465	150645/151985	
83	76584/77164	78490/79312	155074/156476	
84	75282/75814	77913/78765	153195/154579	
85	75126/75649	80986/81819	156112/157468	
86	74232/74914	83044/83832	157276/158746	
87	76006/76753	88020/89086	164026/165839	

SOURCES: The Department of Employment records maintained at the Industrial Relations Research Unit, University of Warwick ( thereafter I.R.R.U. ) and the data provided by the Certification Office.

NOTE: The figures on the right hand side after 1978 are total membership including the members in branches in abroad ( from 1978 ) and Northern Ireland ( from 1981 ).

Bifu mebership in Northern Ireland is still small, and 331, 0.2% of total mebership.

3. Bifu Membership in the former London Clearing Banks

1948	17479	4908	22387
49	17738	5195	22933
50	17636	5341	22977
51	20728	6667	27395
52	21775	7473	29248
53	21346	7543	28889
54	20459	7263	27722
55	25991	10719	36710
56	26390	11207	37597
57	26869	11745	38614
58	26535	11995	38530
59	26333	12042	38375
1960	27091	13004	40095
61	28078	15113	43191
62	28801	16596	45397
63	28979	17448	46427
64	26964	14796	41760
65	27664	16057	43721
66	26998	16147	43135
67	32800	25978	58778
68	34771	29722	64493
69	35229	32620	67849
1970			68749

SOURCES : 1948-1969 Heritage, J. 1977. Appendix 1.

4. National Westminster Bank, Bifu/ NatWest Staff Association Membership

4A. National Provincial Bank

	BIFU			S.A.		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
1948	1440	238	1678	5546	1891	7437
49	1488	248	1736	5605	1840	7445
1950	1309	189	1498	5548	1823	7371
51	1611	281	1892	5379	1937	7316
52	1689	322	2011	5575	2051	7626
53	1608	312	1920	5648	2132	7780



54	1522	308	1830	5836	2233	8069
55	2363	596	2959	5405	2315	7720
56	2421	697	3118	5446	2437	7883
57	2459	742	3201	5384	2421	7805
58	2368	743	3111	5447	2387	7834
59	2363	779	3142	5447	2674	8121
1960	2497	846	3343	5975	2746	8721
61	2560	925	3485	6042	3127	9169
62	2555	1023	3578	6235	3256	9491
63	2510	1134	3644	6483	3748	10231
64	2185	861	3046	6693	3865	10558
65	2211	897	3108	6767	3964	10731
66	2080	897	2977	6731	3889	10620
67	2855	1831	4686	6271	3290	9561
68	3086	2352	5438	5970	3308	9278

SOURCE : Heritage, J. 1977.

#### 4B. Westminster Bank

	BIFU			S.A.		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
1948	1305	328	1633	7085	2621	9760
49	1260	294	1554	7352	2719	10071
1950	1289	313	1602	7629	2822	10451
51	1462	389	1851	7752	2867	10619
52	1467	403	1870	8058	2980	11038
53	1392	411	1803	7996	2957	10953
54	1361	400	1761	7982	2952	10913
55	2280	789	3069	7720	2855	10575
56	2347	846	3193	7939	2936	10875
57	2372	894	3266	8337	2704	11041
58	2301	924	3225	7992	2956	10948
59	2349	936	3285	8434	2983	11417
1960	2601	1199	3800	8598	3471	12067
61	2759	1384	4143	8741	3746	12487
62	3080	1676	4756	8662	3040	11702
63	3214	1857	5071	8932	4299	13231
64	2990	1338	4328	9466	5003	14469
65	3076	1262	4338	9771	5378	15149
66	3039	1269	4308	9931	5246	15177
67	4093	2411	6504	9270	4420	13672
68	4534	3214	7748	8833	3872	12705

SOURCE: Ibid.

#### 4C. District Bank

	S.A.		
	MALE	FEMALE	TOTAL
1948	857	350	1207
49	748	282	1030

1950	877	324	1201
51	864	319	1183
52	898	385	1283
53	939	422	1361
54	1072	448	1520
55	1001	437	1438
56	984	366	1350
57	1003	377	1380
58	1001	391	1392
59	1039	416	1455
1960	1203	551	1754
61	1247	683	1930
62	1182	856	2038
63	1306	949	2255
64	1342	1116	2458
65	1376	1237	2613
66	1485	1092	2577
67	1254	854	2108
68	1298	673	1971

SOURCE: Department of Employment records maintained at I.R.R.U.

NOTE: District Bank Staff Association amalgamated with National Provincial Bank Staff Association, National Provincial Bank Ladies Guild and Westminster Bank Guild to form National Westminster Staff Association in September 1969.

#### 4D. National Westminster Bank ( Con't )

	BIFU			S.A.		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
1969			17494	15629	7873	23502
1970			18824	15189	8132	23321
71			19576	15538	8141	23679
72			20502	15802	8510	24312
73			16703	16695	8414	25109
74			13999	17183	9330	26513
75			13328	17729	10971	28700
76			14156	17987	11924	29911
77			14090	20373	13531	33904
78			13887	19947	13679	33626
79			14421	18815	14782	33597
1980			16080	18792	14765	33557
81			16332	18483	15425	33908
82			16857	17719	14644	32363
83			18739	17628	15672	33300
84			17864	17436	16430	33866
85			17391	17632	17330	34962

86	17431	17977	35408
87	17672	19292	36964
88	18460	21058	39518

SOURCE: 1969-1970 TOTAL Heritage, J. 1977

1971-1985 BIFU TOTAL Morris, T. 1987

1971-1980 S.A. Department of Employment Records maintained at I.R.R.U.

1981-1988 S.A. Certification Office

NOTE: The Certification Office figures include small number of members in branches outside Great Britain, however, the original data does not seem to be accurate on this point and it is difficult to estimate the figures in Great Britain. The NatWest Staff Association seems to have had around 200 members, 0.5%, somewhere abroad in 1988. This is the membership at the end of September.

5 Barclays Bank, Bifu/ Barclays Group Staff Union ( 31st Dec.)

5A. Barclays Bank

	BIFU			S.A.		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
1948	6353	1713	8066	4723	1217	5940
49	6407	1881	8288	4927	1310	6228
1950	6250	1962	8222	4956	1334	6290
51	6768	2354	9122	4936	1344	6280
52	7198	2705	9903	5161	1513	6674
53	7170	2838	10008	5414	1702	7116
54	7023	2775	9798	5727	1858	7585
55	8455	3832	12287	5790	1793	7583
56	8503	3905	12408	5735	1713	7448
57	8671	4083	12754	5803	1881	7684
58	8628	4144	12772	6005	1904	7909
59	8582	4185	12767	6027	2365	8392
1960	8777	4548	13325	6355	2976	9331
61	9078	5446	14524	6420	3233	9635
62	9233	6116	15349	6602	3415	10017
63	9175	6500	15675	6730	3516	10246
64	8707	5924	14631	7342	4024	11366
65	9034	6862	15896	7558	4737	12295



66	8902	6929	15831	7821	5053	12874
67	10352	10232	20584	7821	5053	12874
68	10715	11153	21868	7680	4961	12641
69	10654	12033	22687	9676	5920	15596
1970			25513	9898	5976	15874
71			24971	13046	6910	19956
72			24826	16998	8555	25553
73			23417	18210	13520	31730
74			20024	20206	13850	34056
75			18301	18446	15607	34053
76			18797	18823	15382	34205
77			18638	18831	16184	35015
78			18556	18882	16477	35359
79			16061	18900	16737	35637
1980			15381	20968	17737	38705
81			14874	20810	18418	39228
82			14176	20429	18908	39400
83			15418	20871	20362	41233
84			14312	21015	21324	42339
85			15346	21227	23775	45002
86				21364	25683	47047
87				22222	27126	49348

SOURCE: 1948-1970 Heritage, J. 1977.

1971-1985 BIFU TOTAL Morris, T. 1987.

1971-1980 S.A. Department of Employment records maintained at  
I.R.R.U.

1981-1987 S.A. Certification Office

### 5B. MARTINS BANK

	S.A. MALE	FEMALE	TOTAL
1948	1279	392	1671
49	1286	406	1692
1950	1284	417	1701
51	1373	420	1793
52	1336	411	1747
53	1322	479	1801
54	1289	534	1823
55	1287	596	1883
56	1344	597	1941
57	1442	725	2167
58	1504	753	2257
59	1834	903	2737
1960	1996	990	2986
61	2111	1040	3151
62	2113	1041	3154



63	1944	958	2902
64	1779	876	2655
65	1869	920	2789
66	1837	959	2796
67	2058	918	2976
68	1996	959	2955

SOURCE: Department of Employment records maintained at I.R.R.U.

NOTE: Martins Bank Staff Association joined Barclays Bank Staff Association in December 1969.

6. Lloyds Bank, Bifu/ Lloyds Bank Group Staff Union ( 31st Dec.)

	BIFU MALE	FEMALE	TOTAL
1921			5406
22			5570
23			5646
24			5334
25			5087
26			4844
27			4449
28			4097
29			4206
1930			4669
31			5013
32			5016
33	4259	476	4735
34	4338	557	4895
35	4284	583	4867
36	3954	513	4467
37	3703	465	4168
38	3471	446	3917
39	3297	436	3733
1940	3668	734	4402
41	4098	1188	5286
42	4373	1699	6072
43	4265	1611	5876
44	4126	1450	5576
45	3914	1249	5163
46	3605	969	4574
47	3335	949	4284

	BIFU MALE	FEMALE	TOTAL	S.A. MALE	FEMALE	TOTAL
48	3490	1173	4663	7227	4429	11654
49	3343	1209	4552	7363	4513	11876
1950	3122	1229	4351	7581	4646	12227
51	3077	1221	4914	8017	4914	12931

52	3012	1228	4240	8653	5303	13956
53	2796	1103	3899	8695	5329	14024
54	2594	1028	3622	9316	5710	15026
55	3235	1504	4775	9191	5683	14874
56	3278	1654	4932	9479	5809	15288
57	3483	1827	5310	9301	5808	15109
58	3367	1805	5172	9418	5817	15235
59	3257	1813	5070	9633	6042	15675
1960	3339	1940	5279	9978	6215	16193
61	3635	2393	6028	9890	6061	15951
62	3928	2711	6639	9913	6075	15988
63	4073	2732	6805	9858	6042	15900
64	3811	2120	5931	10141	6216	16357
65	3858	2111	5969	10533	6456	16989
66	3821	2145	5957	10647	6525	17172
67	4779	3634	8413	10506	6440	16946
68	5342	4242	9584	10308	6318	16626
69			10397	11091	6120	17211
1970			10787	12338	5461	17799
71			10308	10806	5136	15942
72			10854	11053	5908	16961
73			9640	11171	6146	17317
74			9247	11369	6793	18162
75			10537	11670	8006	19676
76			11658	11957	8941	20898
77			12786	12421	10162	22583
78			15257	11973	9233	21206
79			15558	12181	8659	20840
1980			16088	12235	8678	20913
81			15985	11968	8226	20194
82			16057	12226	8210	20436
83			17661	12309	8731	21040
84			16150	12581	8633	21214
85			13340	12312	9887	22199
86				12820	10468	23288
87				13516	12141	25657

SOURCE: 1921-1947 Union data maintained by Lloyds Bank 1948-1968 Heritage, J. 1977.

1969-1980 S.A. Department of Employment Records maintained at the Industrial Relations Research Unit, University of Warwick

1971-1987 BIFU T.Morris, 1987

1981-1987 S.A. Certification Office

8. Midland Bank, Bifu/ Midland Bank Staff Association

BIFU

S.A.

	MALE	FEMALE	TOTA	MALE	FEMALE	TOTAL
1948	2687	637	3324			
49	2773	632	3405			
50	3149	665	3814			
51	5061	1204	6265			
52	5540	1436	6976			
53	5503	1467	6970	2454	534	2988
54	5115	1383	6498	3786	890	4676
55	6032	1917	7949	3817	911	4728
56	5976	1988	7964	4172	1236	5408
57	5999	2069	8068	4465	1651	6116
58	5999	2218	8217	4869	2052	6921
59	5874	2193	8067	5258	2342	7600
1960	5883	2275	8158	5557	2875	8432
61	6020	2735	8755	5710	3026	8736
62	5995	2851	8846	6227	3009	9236
63	5906	2898	8804	6098	3298	9396
64	5385	2457	7842	7108	3867	10975
65	5501	2748	8249	7348	4015	11363
66	5305	2858	8163	7603	4111	11714
67	5967	4428	10395	7862	4278	12140
68	6105	4860	10965	7781	4250	12031
69			10907	7537	3591	11128
1970			10920	7355	3435	10790
71			10192	7248	3254	10502
72			10159	7067	3020	10087
73			10381	7150	3143	10157
74			9717			
75			10328			
76			11542			
77			13031			
78			16520			
79			17079			
1980			19828			
81			20546			
82			20825			
83			21722			
84			21776			
85			21239			

SOURCES: 1948-1970 BIFU Heritage, J. 1977.

1953-1970 S.A. Ibid.

1971-1985 BIFU TOTAL MORRIS, J. 1987.

1971-1973 S.A. TOTAL Department of Employment records  
maintained at I.R.R.U.

NOTE: Midland Bank Staff Association transferred to ASTMS ( now  
MSF ) in 1974 and figures are not available thereafter.

9. Former Williams & Glyn's Bank, Bifu/ Williams and Glyns Staff Association

	BIFU			S.A.		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
1971			2866	375	286	595
72			3222	255	195	450
73			3801			
74			4044			
75			3814			
76			4201			
77			4580			
78			4962			
79			4485			
1980			4650			
81			4874			
82			5215			
83			5484			
84			5603			

SOURCE: 1971-84 BIFU Morris, T. 1987.

1971-72 S.A. Department of Employment records maintained at I.R.R.U.

NOTE: W & G S.A. transferred to NUBE in 1972 as it obtained sole bargaining rights. W & G Bank merged with the Royal Bank of Scotland in 1985.

10. Coutts and Co.

	S.A.		
	MALE	FEMALE	TOTAL
1974	650	400	1050
75	568	307	875
76	568	307	875

SOURCE: Department of Employment Records maintained at I.R.R.U.

NOTE: Coutts Staff Association joined National Westminster Staff Association in October 1977.



### Appendix 3. Statistical Sources

#### Model 1. Banking, Insurance and Finance Industries

a. Trade Union Membership: The data compiled by Bain and his associates were kindly provided by Dr. Waddington of Industrial Relations Research Unit of the Business School, Warwick University ( thereafter I.R.R.U. ). These data are based on Bain and Price. 1980. Profiles of Union Growth, but substantially modified and up-dated.

b. Retail Price Index: For 1948-70, Bain and Elsheikh. 1976. op.cit. Their data derive from Statistics on Incomes, Prices, Employment and Production. No.29, 1969, and data supplied by the Department of Employment. For 1971-1986, CSO. 1988. Economic Trends, Annual Supplement.

c. Average Weekly Earnings: Earnings are defined as the 'total remuneration which employees receive from their employers in the form of money, either as wages or salaries, including overtime and other premium payments, bonuses, commission or other payments of any kind, and before the deduction of income tax or of the employers' contributions to national insurance or superannuation funds. ( BLS YB, 1971, 6.)' Unfortunately, there are no consistent data that cover whole period after the war,

although estimated figures are available for the pre-war period. Thus, to make the time-series, three different series are combined assuming the similarities in their fluctuation. Hence some models are always estimated without this series and particular caution is required for interpretation of the models that include this series.

For 1948-54, B.R.Mitchell, 1988. 'Indices of Weekly Wage Rates in Certain Industry Group, United Kingdom, 1914-80 Public Administration and Professional Services'.

For 1955-60, HMSO. 1971. British labour Statistics, Historical Abstract. ( thereafter BLS.HA. ), Table 54 'Average weekly earnings of administrative, professional, technical and clerical staff combined and clerical staff seperately in the public sector and banking and insurance 1955-68' (October figures in the U.K.). This ATC earnings survey, which was started in 1955 by the Ministry of Labour and expanded into ATC employees in the production industries in 1959, does not follow SIC ( see p.9. ).

For 1961-70, HMSO. 1970. British Labour Statistics, Year Book, Table 19. Same series in Great Britain.

For 1971-76, HMSO. BLS.YB. 'Average weekly earnings, hours, and hourly earnings, by industry, April, full-time non-manual men aged 21 years and over, and full-time non-manual women aged 18 years and over, Great Britain'. Its source is New Earnings Survey and follows SIC 1968. NES provides detailed information about earnings in non-manual occupations in April each year

from 1970, and 'on the assumption that, in the earlier years, average earnings of all non-manual employees moved in line with the average earnings of those covered by the October enquiries, the new index may be linked on to the previous series to give a continuous series from 1959 ( BLS.YB. 1971 318 )'.

For 1972-82, New Earnings Survey, Part C, Analysis by Industry. Average gross weekly earnings.

Adjustment is as follows. For 1955-82, average weekly earnings were calculated using current weights from the data which were originally compiled separately for male and female. For 1955-59, April figures were estimated using average weekly earnings of manual men and women in all industries ( BLS.HA. Table 41 ) assuming that average earnings in banking and insurance industries moved in line with this data. For 1960-70, April figures were estimated using the indices of average weekly earnings of all non-manual employees. See the Gazette, May 1972 or BLS.YB. 1971, Appendix I, Table 3.

d. Potential Union Membership: Consistent series is available as union membership data was supplied from the same source. Potential union membership is defined as the 'labour force, including the registered unemployed, but excluding employers, the self-employed, and members of the armed forces'. Employment series was calculated from this series by subtracting the unemployed.



e. Unemployment Rate: Fairly consistent industry-level data are available since the beginning of the century, although the Department of Employment discontinued the series in 1982.

For 1948-74: Bain and Elsheikh, 1981, An Industrial Analysis of Union Growth in Britain, the Data Base ( I.R.R.U. Discussion Paper ) Their unemployment figures derive from the Gazette, and the labour force data come from BLS and the Gazette. They followed SIC 1958.

For 1975-82: the Employment Gazette and CSO, Annual Abstract of Statistics. Figures are fairly consistent with those of Bain and Elsheikh.

f. Political Variable: Percentage of Labour MPs in the House of Commons was calculated from the data in Butler, D. and G. Butler. 1986. British Political Facts 1902-1985. Macmillan: Basingstoke. For the last election, see Wood, A.H. ed. 1987. The Times Guide to the House of Commons. London: Times Books.

## Model 2. English Clearing Banks

a. Trade Union Membership: For Bifu, union data compiled for individual firms were added up. These data, rather than the one published somewhere else, were preferred because of their consistency and reliability. The figures include union



membership in the following banks, which are roughly the same as the former London clearing banks; National Westminster Bank PLC and those merged into this bank, 1948-88. Barclays Bank PLC, including previous Martins Bank and Barclays Bank International ( 1984-88 ). Lloyds Bank Plc, including previous Lloyds Bank International. Former Williams and Glyn's Bank, 1948-84. Note that Midland Bank is excluded from the main series because of the discontinuity of its staff association series, 1948-52 and 1974-88. Coutts and Co. is also excluded because of lack of some union data.

For staff associations and staff unions, membership of the following bodies were added up. Most of the data derives from the I.R.R.U. and respective organisations are also shown in Appendix.2.

National Provincial Bank Staff Association, including National Provincial Ladies Guild, 1948-68.

District Bank Staff Association, 1948-68.

Westminster Guild, 1948-68. They amalgamated in September 1969 to form National Westminster Bank Staff Association ( now NatWest Staff Association ).

Barclays Bank Staff Association ( now Barclays Group Staff Union ), 1948-87.

Martins Bank Staff Association, which joined the above association in December 1969.

Lloyds Bank Staff Association ( now Lloyds Bank Group Staff Union ), 1948-87.

Williams and Glyns Staff Association, 1948-72. This association ceased to exist as NUBE gained sole bargaining rights in 1973. Midland Bank Staff Association ( now MSF Midland Bank Section ), 1953-88. Note that the figures from 1974 to 1988 are estimates by intertrapolation and those data for estimation come from the Times and BIFU Report. This series is excluded from major estimation.

b. Employment: Generally, the data are consistant each other. 1971 figure is an estimate. For main series, employment data are compiled by subtracting the number of staff employed by Midland Bank, whose figures were provided by Group Personnel. Barclays Bank International figures are included after 1985 and Lloyds bank International after 1986.

For 1948-70, Heritage, J. 1977.

For 1972-84: Committee of London Clearing Bankers, Abstract of Banking Statistics, vol.2, 1985.

For 1985-88: Committee of London and Scottish Bankers. 1989. Abstract of Banking Statistics. vol.6. Figures include part-time and those staff of certain subsidiaries who are paid directly by the parent bank.

c. Average Weekly Earnings: This series is compiled from New Earnings Survey on the same basis as in model 1 and extended. For SIC 1980, see Employment Gazette, Mar. 1983, 118-122.

### Model 3. Firm-level

a. Trade Union Membership: Following data are used. For Staff Union, data and its source are shown in Appendix.2.

For Bifu 1921-47, data maintained at Lloyds Bank.

For 1948-68: J.Heritage. 1977.

For 1969-88: Union Data.

b. Average Remuneration: Consistant data are available over the sample period, 1918-1989.

For 1918-70, data maintained at Lloyds Bank, which was originally compiled by Chief Accountant and Staff Department of the Bank. Directors' fees are excluded and messengers fees are included.

For 1971-86: Lloyds Bank plc, Report and Accounts ( annual ).

Average figures were calculated by dividing the total remuneration ( except pension contributions and employers insurance contribution ) by the number of staff employed each year. This series is consistant with the above data.

c. Employment: Consistant data are available over the sample period, 1922-89.

For 1922-76, Bank data originally compiled by Staff and Administration Department. Messengers and staff on active service with H.M.Forces during the previous war years are excluded. Figures are at the end of each year.

For 1977-88: Data provided by Personnel Department of the Bank. This series is consistant with above data. Female employment also comes from these serieses.

d. Net Profit: Net Profit is defined as gross profit minus bad debts, income tax and other adjustments where gross profit is difference between total earnings and total outgoings.

For 1918-70, Bank data compiled by a Chief Accountant.

For 1971-86, Lloyds Bank plc, Report and Accounts ( annual ).



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